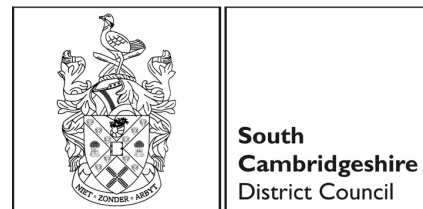


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15 March 2012

To: Chairman – Councillor Francis Burkitt
Vice-Chairman – Councillor David McCraith
Members of the Corporate Governance Committee – Councillors John Batchelor,
Richard Barrett, Douglas de Lacey, Charles Nightingale and John Williams
Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 23 MARCH 2012 at 9.00 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
JEAN HUNTER
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

AGENDA		PAGES
1.	Apologies for Absence To receive apologies for absence from committee members.	
2.	Declarations of Interest	
3.	Minutes of Previous Meeting To confirm the minutes of the meeting held on 16 December 2011 as a correct record.	1 - 4
INTERNAL AUDIT REPORTS		
4 (a)	Internal Audit Update	5 - 12
4 (b)	Internal Audit Plan	13 - 30

EXTERNAL AUDIT REPORTS

- | | | |
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| 5 (a) | External Audit Update | 31 - 44 |
| 5 (b) | Audit Plan 2011/12 | 45 - 64 |

RECOMMENDATION TO COUNCIL

- | | | |
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| 6. | Annual Review of the Risk Management Strategy | 65 - 100 |
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INFORMATION ITEMS

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| 7. | Strategic Risk Register | 101 -
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8. **Matters of Topical Interest**
Progress on Annual Governance Statement will be reported at the meeting.

9. **Date of Next Meeting**
The Committee are asked note the following meeting dates, all at 9am:
- Friday 29 June 2012
 - Friday 28 September 2012
 - Friday 14 December 2012
 - Friday 22 March 2013

OUR VISION

- We will make South Cambridgeshire a safe and healthy place where residents are proud to live and where there will be opportunities for employment, enterprise and world-leading innovation.
- We will be a listening Council, providing a voice for rural life and first-class services accessible to all.

OUR VALUES

We will demonstrate our corporate values in all our actions. These are:

- Trust
- Mutual respect
- A commitment to improving services
- Customer service

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

While the District Council endeavours to ensure that visitors come to no harm when visiting South Cambridgeshire Hall, those visitors also have a responsibility to make sure that they do not risk their own or others' safety.

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In the event of a fire, a continuous alarm will sound. Evacuate the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park.

- **Do not** use the lifts to exit the building. If you are unable to negotiate stairs by yourself, the emergency staircase landings are provided with fire refuge areas, which afford protection for a minimum of 1.5 hours. Press the alarm button and wait for assistance from the Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

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If someone feels unwell or needs first aid, please alert a member of staff.

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The Council is committed to openness and transparency. Until such time as the Council's Constitution is updated to allow public recording of business, the Council and all its committees, sub-committees or any other sub-group of the Council or the Executive will have the ability to formally suspend Standing Order 21.4 (prohibition of recording of business) for the duration of that meeting to enable the recording of business, including any audio / visual or photographic recording in any format or use of social media to bring Council issues to a wider audience. To minimise disturbance to others attending the meeting, all attendees and visitors are asked to make sure that their phones and other mobile devices are set on silent / vibrate mode during meetings.

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No member of the public shall be allowed to bring into or display at any Council meeting any banner, placard, poster or other similar item. The Chairman may require any such item to be removed.

Disturbance by Public

If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

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Since 1 July 2008, the Council has operated a new Smoke Free Policy. Visitors are not allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. Visitors are not allowed to bring food or drink into the meeting room.

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 16 December 2011 at 9.30 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman	
Councillors:	John Batchelor Charles Nightingale John Williams	Douglas de Lacey Ted Ridgway Watt
Officers:	Adrian Burns Fiona McMillan Ian Senior Sally Smart	Head of Accountancy Legal & Democratic Services Manager and Monitoring Officer Democratic Services Officer Principal Accountant Financial & Systems
External:	Louise Davies Neil Gibson Paul King	RSM Tenon Audit Commission Audit Commission

Apologies for absence were received from Councillor David McCraith and Richard Barrett.

26. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a personal interest as a member of Cambridgeshire County Council's Pensions Committee.

27. MINUTES OF PREVIOUS MEETING

The Corporate Governance Committee authorised the Chairman to sign, as a correct record, the minutes of the meeting held on 30 September 2011, subject to the rectification of a typographical error in the fifth line of the third paragraph of Minute number 20 (Internal Audit: Progress Report) by deleting the words "or to" between the words "Audit" and "but".

At members' request, the Chairman sought updates on a number of items, responses being as follows:

- Min. 18 External Audit: Annual Governance Report, fourth paragraph): the Executive Director (Corporate Services) had decided not to write formally to Cambridgeshire County Council but had conveyed to the Pension Service the Corporate Governance Committee's concerns about the problems caused by the delay in the estimated value of the Pension Fund being issued and the actual value being announced. External Audit confirmed that the essential point was that the process should be correct.
- Min. 18 External Audit: Annual Governance Report, fifth paragraph): the Executive Director (Corporate Services) confirmed that this related to 2012-13.
- Min. 19 (Internal Audit Progress Report, third paragraph): officers noted the Committee's continued support for an Internal Audit investigation into progress with reform of the Planning and New Communities Service, focussing in particular on Conservation.
- Min. 21 (Treasury Management Benchmarking 2010-11, third paragraph): the Executive Director (Corporate Services) suggested that members of the Corporate Governance Committee be invited formally to the Finance and Staffing Portfolio Holder meeting in February 2012 when details of the Council's Investment Strategy

would be considered.

28. PLAIN ENGLISH ACCOUNTS

The Corporate Governance Committee **received and enthusiastically noted** a document called 'What we do, and how we spend your money doing it'.

Subject to a few minor amendments identified by Members, the Committee agreed that midnight going into 19 December 2011 should be the deadline for the receipt of further comments, following which the final document should be published before Christmas.

The Committee noted that, for next's year's document, it would consider the following items:

- A different font A5 paper Photographs
- Information about Reserves
- Information about Councillor allowances and expenses
- Cross-references to appropriate pages on the Council's website where they could find further information

The Executive Director (Corporate Services) undertook to discuss with the South Cambs Magazine Editorial Board ways of getting publicity about the Plain English Accounts through that medium.

29. REGULATION OF INVESTIGATORY POWERS ACT 2000: OFFICE OF SURVEILLANCE COMMISSIONERS INSPECTION REPORT AND QUARTERLY UPDATE ON USE OF RIPA

Immediately prior to the meeting, Chris Freeman, South Cambridgeshire District Council's Fraud Manager, made a short presentation on the Regulation of Investigatory Powers Act 2000.

The Corporate Governance Committee received a quarterly update report on the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA) powers.

The Council was inspected by the Office of Surveillance Commissioners (OSC) on 12 October 2011 and, on 9 November 2011, the Council received the outcome of the inspection. The Council was commended for its overall good performance.

The Legal and Democratic Services Manager reminded Members that their role was to oversee the process, rather than to get involved in the granting of authorisations.

Members noted with satisfaction that the Chief Surveillance Commissioner, Sir Christopher Rose, had written to South Cambridgeshire District Council endorsing the inspection report and had stated that he was pleased to see that the Council was commendably determined and successful in achieving RIPA compliance. Members also noted paragraph 10 of the Office of Surveillance Commissioners' report, which highlighted the fact that the Council was extremely conscientious in its compliance with the Act.

The Corporate Governance Committee

- (a) **noted** the inspection report attached as Appendix A;
- (b) **accepted** the recommendations set out in the report;

- (c) **asked** the Executive Director (Corporate Services), the Council's Senior Responsible Officer in respect of the operation of RIPA, to make sure that the recommendations in the report from the Office of Surveillance Commissioners were implemented;
- (d) **noted** the information contained in the report about the Council's use of surveillance powers in the period October to December 2011.

30. **AUDIT REPORTS**

30 (a) **Internal Audit Progress Report**

The Corporate Governance Committee **noted** that Internal Audit had not raised any significant issues with South Cambridgeshire District Council during the current municipal year to date.

30 (b) **External Audit Reports**

The Corporate Governance Committee **received and noted** a positive External Audit Letter relating to the Accounts for 2010-11.

Members particularly noted the good performance in relation to Benefits, and conveyed their appreciation to the Benefits Manager and her Team.

31. **MATTERS OF TOPICAL INTEREST**

Members discussed briefly the following matters of topical interest:

Pensions

Councillor Batchelor undertook to investigate the state of the Local Government Pension Scheme insofar as it relates to South Cambridgeshire District Council.

Welfare reform in terms of Governance

The subject of Welfare reform had been identified as the leading strategic risk for South Cambridgeshire District Council, although the Executive Director (Corporate Services) confirmed that there was no Governance issue at the moment.

Housing Revenue Account (HRA) Debt

The Committee noted that Council would have to decide how to handle in excess of £200 million of HRA debt before the end of March. The Chairman felt it essential that Members should have advance notice of this matter and every opportunity to contribute to the debate.

The Committee agreed to suggest to the Leader or Finance and Staffing Portfolio Holder that one of them should announce, at the meeting of Full Council on 26 January 2012, that that there would be a formal agenda item about the HRA Debt at (a) the Finance and Staffing Portfolio Holder meeting on 21 February 2012; and (b) Full Council on 23 February 2012.

Localism

The Committee asked officers to prepare a maximum four-page plain English Guide on

the Localism Act as they impact on South Cambridgeshire District Council and its residents.

Northstowe

This remained a strategic risk because of continued uncertainty over improvements to the A14.

Gypsy and Traveller Development Plan Document

It was becoming increasingly urgent to finalise this document in the interests of good governance and defined policy.

Value For Money

There was no longer a scoring system for value for money so the determination was now either 'adequate' or 'not adequate'.

32. DATE OF NEXT MEETING

The next meeting of the Corporate Governance Committee had been rearranged from 30 March 2012 to Friday 23 March 2012 starting at 9.00am.

The Committee confirmed as meetings the following dates in 2012-13, all meetings starting at 9.00am.

- Friday 29 June 2012
- Friday 28 September 2012
- Friday 14 December 2012
- Friday 22 March 2013

The Meeting ended at 10.40 a.m.

RSM: Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee Meeting: March 2012

Recommendation: That the Committee **Notes** the Internal Audit Progress Report

RSM: Tenon

CONTENTS

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3	Key Findings from Internal Audit Work	1
4	Work in Progress or Planned	2
5	Liaison with Management and External Audit	2
6	Changes to our Plan	2
7	Client Briefings	2
Appendices		
A	2011/12 Work Completed to Date Including Summary of Assurance Levels and Recommendations	3
B	2011/12 Work in Progress or Yet to Start (including reports still in draft)	6

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

1.1 The periodic internal audit plan for 2011/12 was approved by the Corporate Governance Committee in March 2011. This report summarises the outcome of work completed to date against that plan. Appendices A and B provide cumulative data in support of internal audit performance for the 2011/12 plan to date.

2. FINAL REPORTS ISSUED

2.1 We have finalised six 2011/12 reports since the last Committee meeting; these are in the areas of:

- Governance – Good Governance Framework (10.11/12);
- Creditors (11.11/12);
- Payroll including Expenses (13.11/12);
- Risk Management and Assurance Stocktake (18.11/12);
- Council Tax. (19.11/12); and
- Reconciliations (20.11/12).

2.2 Appendix A summarises our opinions and the number of recommendations made during 2011/12 to date.

2.3 In addition, we have completed our work with Management on the Annual Governance Statement.

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

3.1 The Corporate Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

3.2 We have not identified any issues from our 2011/12 work to date that will impact negatively on this year's annual opinion.

3.3 No common weaknesses have been identified within our reports for 2011/12. Management have agreed all of the recommendations in the reports finalised at 2.2 above, with agreed target dates for implementation.

4. WORK IN PROGRESS OR PLANNED

4.1 We have issued six draft reports since the last Committee meeting; these are in the areas of:

- Housing Allocations (8.11/12);
- NNDR (14.11/12);
- Cash, Banking and Treasury Management (16.11/12);
- Capital Expenditure and Asset Management (17.11/12);
- Housing Benefits (21.11/12); and
- Follow Up (22.11/12).

4.2 We are currently at the fieldwork stage of the following review:

- Proactive Fraud Review.

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

5.1 Since the last Corporate Governance Committee we have met with Management to discuss the progress of the audit plan and to scope a number of 2011/12 audits.

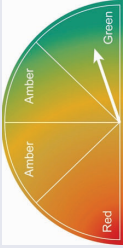
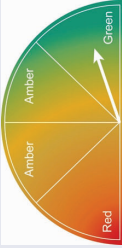



6. CHANGES TO OUR PLAN

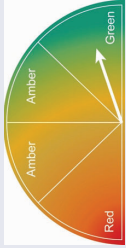
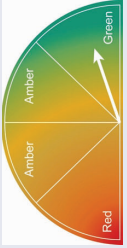




6.1 There have been no changes to the audit plan since the last meeting.

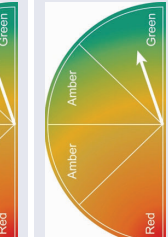
7. CLIENT BRIEFINGS

7.1 There has been one new Local Government eUpdate issued since the last Corporate Governance Committee.

APPENDIX A: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASURANCE LEVELS AND RECOMMENDATIONS

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
HR – Absence Management including the Impact of Redundancies (1.11/12)	18/04/11	21/04/11	16/05/11	27/05/11	27/05/11	June 11		0	0	5	5	5
Supporting Housing (2.11/12)	18/04/2011	28/04/2011	19/05/2011	13/07/11	13/07/11	September 11		0	0	1	1	1
Housing Maintenance – Planned & Cyclical (3.11/12)	10/06/2011	17/06/2011	13/07/11	28/07/11	29/07/11	September 11		2	3	2	7	7
Information Governance (4.11/12)	25/07/2011	01/08/11	16/08/11	21/09/11	21/09/11	September 11		0	6	6	12	12
Housing Rents (5.11/12)	08/08/2011	15/08/11	25/08/11	26/08/11	26/08/11	September 11		0	1	3	4	4
Project Management (6.11.12)	15/08/2011	16/08/11	01/09/11	22/09/11	22/09/11	December 11	ADVISORY	-	-	-	8	8

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
General Ledger (including Budgetary Control) (7.11/12)	05/09/2011	13/09/11	07/10/11 08/11/11	17/10/11	15/11/11	December 11		0	0	3	3	3
VAT Advisory Review (9.11/12)	26/09/11	29/09/11	24/10/11	04/11/11	04/11/11	December 11	ADVISORY	0	3	5	8	8
Contract Services (12.10/11)	10/10/2011	14/10/11	09/11/11	07/12/11	07/12/11	December 11		0	0	2	2	2
Income & Debtors (15.11/12)	01/11/2011	04/11/11	24/11/11	07/12/11	07/12/11	December 11		0	0	1	1	1
Governance – Good Governance Framework (10.11/12)	10/10/2011	17/10/11	25/10/11	14/03/12	14/3/12	March 2012		0	1	4	5	5
Creditors (11.11/12)	03/10/2011	18/10/11	28/10/11	05/03/12	06/03/12	March 2012		0	2	3	5	5
Payroll (including Expenses & Pensions) (13.11/12)	12/10/2011	21/10/11	09/11/11	05/03/12	05/03/12	March 2012		0	0	2	2	2
Risk Management and Assurance Stocktake (18.11/12)	12/12/2011	16/12/11	20/01/12	05/03/12	08/03/12	March 2012	ADVISORY	1	1	6	8	8

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Council Tax (19.11/12)	04/01/2012	10/01/12	24/01/12	07/02/12	07/02/12	March 2012		0	0	3	3	3
Reconciliation (20.11/12)	05/12/2011	08/12/11	27/01/12	07/03/12	07/03/12	March 2012		0	0	1	1	1
Totals to date:								3	17	47	75*	75*

* 8 recommendations have not been categorised

APPENDIX B: 2011/12 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

Auditable Area	Start Date	Debrief date	Draft report issued
Housing Allocations and Voids (8.11/12)	13/09/2011	19/09/11	14/10/11
NNDR (14.11/12)	20/10/2011	28/10/11	09/11/11
Cash, Banking & Treasury Management (16.11/12)	14/11/2011	17/11/11	13/12/11
Capital Expenditure and Asset Management (17.11/12)	17/11/2011	22/11/11	22/12/11
Housing Benefits (21.11/12)	23/01/2012	27/01/12	06/02/12
Follow Up (22.11/12)	16/01/2012	19/01/12	16/02/12
Proactive Fraud Work	20/2/2012		
Top Up Testing	19/03/2012		
Performance Management	22/03/2012		
Environmental Health	29/03/2012		
Partnerships	12/04/2012		

RSM Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Updated Strategy for Internal Audit 2012/13

For presentation at the Corporate Governance Committee meeting of 23 March 2012

Approved by Dan Harris as Head of Internal Audit

CONTENTS

	Section	Page
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2	Developing Your Internal Audit Strategy	1
3	Considerations required of the Corporate Governance Committee	2
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A	Updated Strategy for Internal Audit: 2011/12 – 2013/14	3
B	Detailed Internal Audit Plan for 2012/13	9

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1 INTRODUCTION

1.1 Overall Approach

This document sets out the approach we have taken to develop your internal audit strategic plan for 2011/12 – 2013/14. It provides the Authority with an updated three year strategy and a more detailed plan for 2012/13.

1.2 The Purpose and Function of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Chartered Institute of Internal Auditors)

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.

As such, our approach to internal audit also meets the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help South Cambridgeshire District Council achieve its objectives.

2 DEVELOPING YOUR INTERNAL AUDIT STRATEGY

2.1 Developing the Detailed Plan for 2012/13

Changes to South Cambridgeshire District Council's objectives and risk profile are the starting point in the development of the strategy for internal audit for the organisation, which is set out at Appendix A to this document.

In updating preparing your strategy and developing the detailed internal audit plan for 2012/13 we have reviewed the latest Strategic risk register (dated February 2012). The plan is also being presented to the Executive Management Team and will be discussed at the Corporate Governance Committee. The detailed plan for 2012/13 is set out at Appendix B.

2.2 Your Internal Audit Team

Your Engagement Director is Mark Jones.

Your Head of Internal Audit is Dan Harris.

Your Client Manager is Suzanne Lane.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.3 Internal Audit Fees

In line with our tender and subsequent engagement letter, the fee for your internal audit service for 2012/13 is £82,750 which is based on an input of 250 days. A breakdown of and fees for each assignment is provided at Appendix B as part of the detailed internal audit plan for 2012/13.

3 CONSIDERATIONS FOR THE CORPORATE GOVERNANCE COMMITTEE

To assist the Corporate Governance Committee with their consideration of the Internal Audit Plan, we have set out a number of considerations below:

- Does the Updated Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Corporate Governance Committee?
- Does the audit strategy include all those areas that the Corporate Governance Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- Does the detailed internal audit plan for the coming financial year (see Appendix B) reflect the areas that the Corporate Governance Committee believes should be covered as priority?

APPENDIX A: UPDATED STRATEGY FOR INTERNAL AUDIT 2011/12 – 2013/14

Risk Based Coverage

Risks		Auditable Areas		Source		2011/12	2012/13	2013/14
Aims Approaches Actions – A iii, A iv, A v								
<p>Welfare Reform Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system, <i>leading to possible:</i></p> <ul style="list-style-type: none"> increased IT cost due to required system changes; implementation costs not fully reimbursed by Government grant; increased workload for Benefits and Homelessness teams, <i>resulting in potential for:</i> adverse effect on service provision due to the number of changes; increased dissatisfaction with the service due to reduced amounts of benefit payable; impact on Medium Term Financial Strategy; devastating effect on people with mental health problems; and dislocation of private sector housing market. 		Welfare Reform Project		Strategic (STR15)		Risk Register		▼
Aims Approaches Actions – A.v								
<p>Medium Term Financial Strategy (MTFS) Risks concerning the financial projections include:</p> <ul style="list-style-type: none"> not achieving delivery of savings to meet targets; 		Medium Term Financial Strategy (MTFS) Financial Planning and Budgetary Control		Strategic Risk Register (STR8)			▼	

Risks	Auditable Areas	Source	2011/12	2012/13	2013/14
<ul style="list-style-type: none"> • pay and inflation exceed assumptions; • interest rates do not meet forecasts; • employer's pension contributions increases exceed projections; • impact of successful equal pay claims exceeds available reserves; • changes in demand for some service areas could lead to pressures in the related budgets; • unforeseen restructuring costs; • local government resource review - localisation of business rates; • major developments do not meet housing trajectory forecast; • uncertainty re new homes bonus and formula grant from 2013/14; • cost of supporting development and meeting demand from growth; • impact of welfare reform (and see STR15 above); • costs associated with the economic downturn; • HRA self-financing post reform; • availability of budget for Cabinet priorities; • council tax strategy, <i>leading to the Council needing to take action to cut its budgets, resulting in cuts in services, public dissatisfaction, audit and inspection criticism.</i> 					
Aims Approaches Actions - C.i, C.ii.2, E.iii, E.iv.					
<p>Lack of Development Progress While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application</p>	Planning and Growth	Strategic Risk Register (STR5)		▼	

Risks	Auditable Areas	Source	2011/12	2012/13	2013/14
<p>for Northstowe despite uncertainty about improvements to the A14, development is below target, <i>leading to the authority being unable to deliver its housing needs, resulting in the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.</i></p>					
<p>Aims Approaches Actions – A.C.</p>					
<p>STR12 - Supported Housing Reduction in Supporting People (SP) funding, <i>leading to loss of staff and changes to delivery structure, resulting in dissatisfaction amongst residents and concerns over well being of vulnerable people</i></p>	Supported Housing	Strategic (STR12)	Risk Register	▼	
<p>Aims Approaches Actions – All</p>					
<p>Implementation of National Job Evaluation Scheme Employee anxiety about Job Evaluation, <i>leading to significant staff absence or reduced productivity, resulting in inability to provide full services.</i></p>	HR	Strategic (STR14)	Risk Register	▼	
<p>Aims Approaches Actions – A & C</p>					
<p>HRA Business Plan: Government policy changes Government decides to reopen the debt settlement, <i>leading to increased debt requirement, resulting in reduced housing programme.</i></p>	Business Planning	Strategic (STR24)	Risk Register		▼

Coverage for External Audit Reliance or to meet Regulatory Requirements

Systems	Source of Requirement	2011/12	2012/13	2013/14
Corporate Governance	Annual Review of the Authority's Governance processes.	✓	✓	✓
Risk Management	Annual Review of the Authority's Risk Management processes.	✓	✓	✓
Income & Debtors	To ensure all funds due to the Authority are promptly recognised and invoiced for. To confirm there is an adequate and effective debt control process to minimise outstanding debt.	✓	✓	✓
Budgetary Control	Review of the Authority's process to develop, approve and manage the budget of the Council.	Included within GL audit	See risk based audit (MTFP) for 2012/13	✓
General Ledger	The accuracy and integrity of the general ledger is pivotal in the production of the Authority's accounts.	✓	✓	✓
Creditors	Promptness and process of input, approval and payment of supplier invoices to ensure charges made on the Authority are valid and authorised.	✓	✓	✓
Cash, Banking & Treasury Management	To ensure the Authority's bank accounts and cash are adequately controlled and monitored. To ensure that investment opportunities are clearly identified and managed to maximise security where appropriate.	✓	✓	✓
Payroll (including Expenses & Pensions)	To ensure the Authority is compliant with statutory legislation and that all payroll, pension and expense payments are correctly authorised.	✓	✓	✓
Capital Expenditure and Asset Management	This review will focus on the Capital Accounting and expenditure arrangements and will also examine the controls in place to update and manage the asset register and inventories.	✓	✓	✓
Procurement	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.	✓	✓	✓
NNDR	To ensure that commercial premises are correctly charged for based on reconciliations between the Authority's records and Valuation Office listings.	✓	✓	✓
Council Tax	To ensure domestic properties are correctly charged for based on the CT band settings and reconciliations between the Authority and Valuation Office listings.	✓	✓	✓
Housing Benefits	To ensure that benefits are accessible, correctly calculated, paid promptly, adequately monitored and accurately recorded with other related areas.	✓	✓	✓

Systems	Source of Requirement	2011/12	2012/13	2013/14
Housing Rents	To ensure that housing rents are appropriately set, collected and that rent arrears are chase in line with the Councils Policy.	✓	✓	✓
Top up testing	To meet External Audit requirements	✓	✓	✓
Reconciliation testing	To meet External Audit requirements	✓	✓	✓

Other Internal Audit Coverage

Internal Audit Coverage	Source / Rationale	2011/12	2012/13	2013/14
Safeguarding	An annual review to ensure the Authority are completing and can support the self-assessment Checklist on 'The Implementation of the Key Safeguarding Employment Standards'.			✓
Partnerships	A review of the Authority's partnership arrangements to ensure that the Authority adequately identifies and manages the partnerships they are engaged in.	✓		
Health and Safety	To establish that processes are in place to ensure compliance with Health & Safety legislation and that new legislation is acted upon promptly.			✓
Human Resources	One of the key platforms to the effective delivery of the Authority's objectives is through its human resource.	See risk based audit for 2011/12		✓
Performance Management	Adequacy of performance management integral part of governance arrangements.	✓	✓	✓
Taxation	To ensure the Authority is correctly identifying VAT, NI and PAYE amounts to be paid promptly and that the payments are reconciled and authorised.	✓		
Insurance	To ensure that the Authority has appropriate insurance policies in place, that these are regularly reviewed and claims are appropriately dealt with.		✓	
Environmental Health	To assist in ensuring an effective Environmental Health service which meets its targets and delivers a customer driven service. This could include emergency planning issues.	✓	✓	✓
Repairs Arrangements – Partnership	Responsive Repairs for the Authority are transferring to a partnership with Mears of April 2012. This review will include the partnering arrangements in place and the Council monitoring of the partnership arrangements. (to include both Planned and Responsive Maintenance)	✓	✓	✓

Internal Audit Coverage	Source / Rationale	2011/12	2012/13	2013/14
Asset Management (Housing)	To ensure that the Authority is maintaining the standards of its housing stock. The audit will review the stock conditions survey and link to compliance with the Decent Homes Standards.		✓	
Housing Allocations and Voids	To ensure that housing stock is allocated promptly to the right applicants through the choice based letting system.	✓	✓	✓
Customer Services	Customer Service arrangements is a key area for the Authority. This review could include customer compliments and complaints or customer first response. The audit in 2012/13 will include the Contact Centre, which has moved to South Cambridgeshire District Council.		✓	
Contract Services	To ensure that contract service delivery is effectively measured and managed through appropriate contract management. To include in 2011/12 procurement of contracts.	✓		
Section 106	Section 106 planning gain is an important element of any development and maximum benefit should be achieved.		✓	
ICT Review	An Audit Needs Assessment will be undertaken to assess the proposed Computer Audit work.	✓	✓	✓
Proactive Fraud work	CIPFA's updated Red Book 2, Managing the Risk of Fraud, was published in November 2008. A high level review of the organisation against the Red Book 2 will be undertaken.	✓		✓
Annual Governance Statement	To ensure that the Annual Governance Statement is an accurate reflection of priority areas.	✓	✓	✓
Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Corporate Governance Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	✓	✓	✓

APPENDIX B: DETAILED INTERNAL AUDIT PLAN 2012/13

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
Assurance and Advisory Work to Address Specific Risks					
<p>Medium Term Financial Strategy (MTFS) Risks concerning the financial projections include:</p> <ul style="list-style-type: none"> • not achieving delivery of savings to meet targets; • pay and inflation exceed assumptions; • interest rates do not meet forecasts; • employer's pension contributions increases exceed projections; • impact of successful equal pay claims exceeds available reserves; • changes in demand for some service areas could lead to pressures in the related budgets; • unforeseen restructuring costs; • local government resource review - localisation of business rates; • major developments do not meet housing trajectory forecast; • uncertainty re new homes bonus and 	<p>Review of the Council arrangements for the developing, monitoring and review of the Medium Term Financial Strategy and annual Budget, this will include:</p> <ul style="list-style-type: none"> ▪ Annual review of assumptions. ▪ Inclusion of the General Fund / Housing Revenue Account savings targets. ▪ Annual approval of Budget. ▪ Annual review of Medium Term Financial Plan. ▪ Monitoring of the Budget and the Financial Plan. ▪ Regular reporting of the actual against Budget and Financial Plan. 	Risk Based	Q1	£4,000	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
<p>formula grant from 2013/14;</p> <ul style="list-style-type: none"> • cost of supporting development and meeting demand from growth; • impact of welfare reform (and see STR15 above); • costs associated with the economic downturn; • HRA self-financing post reform; • availability of budget for Cabinet priorities; • council tax strategy, <i>leading to the Council needing to take action to cut its budgets, resulting in cuts in services, public dissatisfaction, audit and inspection criticism.</i> 					
<p>Planning and Growth Lack of Development Progress</p> <p>While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, development is below target, <i>leading to the authority being unable to deliver its housing needs, resulting in the Council</i></p>	<p>To establish that the Authority has processes in place to ensure that they are up to date with current legislation and that it is applied where appropriate. To ensure planning applications are processed promptly and delays are identified and dealt with. To ensure a customer driven service is in place.</p> <p>In addition, as part of our review we will include a review of the Annual Monitoring Report, annual review of the Local Development Scheme and the new Strategic Land Availability Assessment.</p>	Risk Based	Q1	£3,300	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.					
Coverage for External Audit Reliance or to meet Regulatory Requirements					
Corporate Governance	<ul style="list-style-type: none"> ▪ To be agreed 	TBC	Q2	£2,800	September 2012
Risk Management	<ul style="list-style-type: none"> ▪ Risk Management Strategy ▪ Risk Register ▪ Risk Reporting ▪ Identification and use of Assurances. 	Risk Maturity	Q3	£2,800	March 2013
Income & Debtors	<ul style="list-style-type: none"> • Raising and authorisation of invoices; • Chasing of outstanding debts; • Debt write off. 	Key Financial Controls	Q3	£1,600	December 2012
General Ledger	<ul style="list-style-type: none"> • Access Controls; • Journals; • Month end closedown and reconciliation process. 	Key Financial Controls	Q3	£1,600	December 2012
Creditors	<ul style="list-style-type: none"> • Placing of orders; • Confirmation of goods being received; • Authorisation of Invoices; • Processing of credit notes; • Preparation and authorisation of payment runs. 	Key Financial Controls	Q3	£1,600	December 2012
Cash, Banking & Treasury Management	<ul style="list-style-type: none"> • Receipt of cash; • Processing of cash payments; 	Key Financial Controls	Q3	£1,600	December 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
	<ul style="list-style-type: none"> • Bank mandate; • Bank reconciliation; • Control over loans and investments where appropriate; 				
Payroll (including Expenses & Pensions)	<ul style="list-style-type: none"> • Starters; • Leavers; • Changes to contract details; • Payment authorisation & run; • Authorisation of expenses claims. • Reporting. 	Key Financial Controls	Q3	£2,250	December 2012
Capital Expenditure and Asset Management	<ul style="list-style-type: none"> • Processing of capital payments; • Maintenance of the asset register; • Internal verification of assets; • Disposals of assets. 	Key Financial Controls	Q3	£2,850	March 2013
Procurement	<ul style="list-style-type: none"> • Procurement and Value for Money Strategy; • Compliance with the SFI's / SO's; • Evidence of obtaining quotations and tenders; • Maintenance of tender register; • Approach to monitoring spend within the Authority 	Key Financial Controls	Q2	£2,000	September 2012
NNDR	<ul style="list-style-type: none"> • Procedures & training; • Review of charges; • Processing of discounts / exemptions; • Processing bills; • Debt recovery • Reconciliations. 	Key Financial Controls	Q3	£2,000	March 2013

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
Council Tax	<ul style="list-style-type: none"> Procedures & training; Review of charges; Processing of discounts / exemptions; Processing bills; Debt recovery; Reconciliations. 	Key Controls Financial	Q3	£2,000	December 2012
Housing Benefits	<ul style="list-style-type: none"> Procedures & training; Processing of applications; Checking of applications; Monitoring and Reporting. 	Key Controls Financial	Q3	£3,650	March 2013
Housing Rents	<ul style="list-style-type: none"> Setting of Housing Rents; Rent increases; Collection of rents; Rent arrears monitoring and chasing; Rent arrears reporting. 	Key Controls Financial	Q2	£2,000	September 2012
Top up testing	In order for external audit to place reliance on testing undertaken by internal audit, the sample testing is required across the financial year, as such top up testing is required at year end for the finance systems.	Key Controls Financial	Q4	£2,650	June 2013
Reconciliation testing	Additional financial testing to ensure that reconciliations are undertaken and reviewed in line with External Audit requirements	Key Controls Financial	Q3	£1,800	March 2013
Other Internal Audit Input					
Performance Management	A review to ensure that the national performance indicator systems have been established within the Authority and that these are being monitored. This will include sample testing some performance indicator	Systems Based	Q4	£2,200	June 2013

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
	back to source systems.				
Insurance	Review of the processes in place to ensure that insurance policies held by the Authority, are reviewed on a regular basis and that claims against the policies are adequately handled by the Authority.	Systems Based	Q1	£1,400	June 2012
Environmental Health	To assist in ensuring an effective Environmental Health service which meets its targets and delivers a customer driven service. The focus of this review will be agreed with management prior to the start of the review.	TBC	Q4	£1,800	June 2013
Repairs – Partnership Arrangements	From April 2012, the Council will enter into a Maintenance partnership with Mears, our review will focus on the Council's arrangements for monitoring of the contract in place through review of adequacy, frequency, timeliness and accuracy of key performance indicators and reports. This scope does not include an evaluation of performance under the partnership agreement but will focus on the adequacy, accuracy and timeliness of reporting.	Systems Based	Q2	£4,000	September 2012
Asset Management (Housing)	To ensure that the Authority is maintaining the standards of its housing stock and undertaking adequate options appraisals where required. The audit will review the use stock conditions survey and link to compliance with the Decent Homes Standards.	Systems Based	Q2	£2,800	December 2012
Housing Allocations and Voids	A review of the choice based letting allocations process to ensure that properties are promptly identified, applicants chosen and void times minimised.	Systems Based	Q2	£2,200	September 2012
Customer Services Contact Centre	Following the transfer of the contact centre to the Council from Cambridgeshire County Council, our review will focus on the arrangements in place for the	Systems Based	Q2	£2,800	September 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Fee	Target Corporate Governance Committee
	training of staff and monitoring of performance within the Contact Centre.				
Section 106	To review compliance with Policies and Procedures in relation to Section 106 planning.	Systems Based	Q1	£2,750	September 2012
ICT Review	This is a key area of operation which supports the Council's departments. The scope of this review is to be agreed with management prior to the start of the review.	To be confirmed	Q2	£4,000	December 2012
Annual Governance Statement	To aid management in the compilation of the Annual Governance Statement to ensure that this is an accurate reflection of priority areas.	Advisory	Q4	£5,200	March 2013
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	Q4	£1,600	June 2013
Management	<p>This will include:</p> <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Corporate Governance Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit Preparation of the annual internal audit opinion	-	Ongoing	£11,500	N/A

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Corporate

Governance

Committee

Update

South Cambridgeshire District Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 The purpose of this paper is to provide the Corporate Governance Committee with a report on progress in delivering my responsibilities as your external auditor. It includes an update on the externalisation of the Audit Practice.

2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Corporate Governance Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.

3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.

4 Finally, please also remember to visit the Commission website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Paul King

District Auditor

March 2012

Progress report

Financial statements

5 The interim audit visit is currently underway and, as set out in the audit plan:

- key elements of internal audit work are being reviewed;
- walkthrough tests on all key systems are being undertaken; and
- controls' testing of key systems is being completed.

6 To date there are no issues resulting from this work that require reporting to members.

7 Over recent years, the Commission has run Final Accounts Workshops across the country to assist audited bodies in their financial closedown. The workshops are a forum to discuss problem areas from the previous year and the legislative and accounting changes for the current year. Two members of your staff attended events in Cambridge. Subsequent to the workshop, discussions have taken with your staff in respect of the issues and changes identified at the event as part of the closedown preparation.

VFM conclusion

8 My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

9 A key element of my conclusion this year will be the way in which the Authority has approached the issue of Housing Revenue Account self financing. My work in this area to date has identified the positive benefits of the joint approach with Cambridge City Council. It has also noted how the Authority has explored and evaluated the various options in areas such as Treasury Management to ensure a stable financial position and to maximise the benefit to the Authority.

Other matters of interest

Housing Revenue Account self-financing determinations

10 As part of the move to Housing Revenue Account (HRA) self-financing the Department for Communities and Local Government (DCLG) carried out a consultation on the relevant determinations. This closed on 6 January 2012.

11 Subsequent to this, on 1 February 2012, the DCLG published five determinations which cover the following.

- Settlement Payments Determination. This sets out the amount each local authority will either pay the Government or receive from the Government on 28 March 2012 in order to exit the current subsidy system, and the way in which the payments will be made.
- Limit on Indebtedness Determination. This places a cap on the amount of housing debt each council may hold.
- Housing Revenue Account Subsidy Amendment Determination for the year 2011/12. This adjusts the subsidy entitlement for this financial year in order to take account of the interest costs or savings arising from the settlement payments. These payments will be made before the end of the financial year.
- Item 8 Credit and Debt Amendment Determination for the year 2011/12. This enables the appropriate charges to be made between the Housing Revenue Account and a council's General Fund to reflect the borrowing costs or savings in this financial year arising from the settlement payments.
- Item 8 Credit and debit Determinations for 2012 onwards. This provides a framework for the Housing Revenue Account ring-fence to continue to operate under self-financing.

12 The content of these determinations have been taken account of in the latest outturn figures for 2011/12, the budget for 2012/13 and the HRA business plan.

Dealing with the economic downturn

13 On 17 November 2011 the Audit Commission published 'Tough Times – Councils' responses to a challenging financial climate'.

14 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

15 The key findings in the report are:

- most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books;
- although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets;
- to meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years; and
- councils are not planning to make significant withdrawals from their reserves this year – some even plan to increase them.

16 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches ([link.](#))

Procurement Fraud in the Public Sector

17 In November 2011, The National Fraud Agency issued a report on public sector procurement fraud which examines new approaches to reduce fraud risk and make processes both quicker and simpler.

18 The report acknowledges that procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contract award phase. It can be perpetrated by those inside and outside an organisation.

19 The report includes a number of case studies and details a number of actions that can be taken both immediately and in the medium term.

Protecting the Public Purse 2011

20 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 – Fighting Fraud against Local Government.'

21 This report is based on the Audit Commission's annual fraud survey – which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

22 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers.

23 The key areas where fraud was detected are:

- housing benefits and council tax benefits fraud, which accounted for more than half of the total fraud losses detected by councils;
- false claims for student and single person council tax discounts – £22 million; and
- procurement fraud, with 145 cases amounting to £14.6 million.

24 The Commission has therefore developed a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average and this can be found on the Commission website ([link](#)).

25 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils and, in addition to the above, the National Fraud Authority estimates that housing tenancy fraud could cost up to £900 million each year.

26 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

Localism Act 2011

27 On 15 November 2011 the Localism Bill received Royal Assent.

28 The Department for Communities and Local Government (DCLG) has published an updated plain English guide to the Localism Act to reflect the final legislation and this may be of interest to members of the Corporate Governance Committee ([link](#)).

29 Subject to commencement, key measures of the Act include the following.

- Introducing a new general power of competence, giving councils freedom to work together to improve services and drive down costs. Councils are now free to do anything – provided they do not break other laws. The commencement order was issued earlier than expected on 18 February 2012 following the decision in a recent legal case.
- Giving communities the right to approve or veto – by way of a referendum – Council Tax increases higher than a limit determined by the Government.
- Opening the door for the transfer of power to major cities to develop their areas, improve local services, and boost their local economies.
- Abolishing the Standards Board.
- Clarifying the rules on predetermination in order to free up councillors to express their opinions on issues of local importance without the fear of legal challenge.
- Enabling councils to return to the committee system of governance, if they wish, regardless of their size.

- Giving councils greater control over business rates. Councils will have the power to offer business rate discounts, which could help attract firms, investment and jobs.
- Promoting openness regarding the pay of senior officers.
- Allowing councils to keep the rent they collect and use it locally to maintain social homes through the abolition of the housing revenue account.

30 Many of the measures in the Localism Act are expected to be in place by April 2012.

Openness and Accountability in Local Pay

31 The Localism Act referred to earlier requires local authority pay policies to be openly approved by democratically elected councillors.

32 On 17 November 2011 the Department for Communities and Local Government published guidance which sets out the requirements for councils to publish their remuneration arrangements and approve larger salary packages in an open session of the full council ([link.](#)).

33 Pay policy statements must be in place by 31 March 2012 and Ministers explicitly say in the guidance that the pay vote ceiling should be set at £100,000.

34 There will be a requirement to publicly justify any big bonuses, above inflation annual pay rises, or hiring a person already in receipt of retirement or severance money and organisations should state in their pay policy statement whether or not they permit such practices.

For information: Police Reform and Social Responsibility Act 2011

35 The Police Reform and Social Responsibility Act received Royal Assent on 15 September 2011.

36 This Act will abolish police authorities in England and Wales and replace them with directly elected police and crime commissioners.

37 The Act requires the police and crime commissioner for a policing area to hold the chief constable to account, while also safeguarding the chief constable's operational independence. A police and crime panel, established by the local authorities in a police area, will provide independent scrutiny of the police and crime commissioner.

38 The first elections of police and crime commissioners will take place on 15 November 2012 and police authorities will be abolished within a week of these elections. All staff and assets will transfer in the first instance to the office of the police and crime commissioner.

Update on the externalisation of the Audit Practice

39 In previous verbal updates I have set out the key points of the externalisation programme and that:

- contracts were to be let from 2012/13 on a three- or five-year basis. The earliest you would be able to appoint your own auditors is therefore the 2015/16 audit;
- the work was split into four regions, comprising ten 'lots'. Each lot would be awarded separately, but any individual bidder can only win a maximum of one lot in each region (ie four lots in total);
- thirteen potential providers were invited to tender following the initial pre-qualification stage and bids were submitted by mid-December 2011, with the announcement of the successful bidders to take place on 6 March 2012, with formal Commission approval planned for late July 2012 following consultation;
- appointments will start on 1 September 2012. As such, the Commission has extended the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission; and.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

40 On 6 March the Audit Commission announced that Ernst & Young were the successful bidder in the Eastern lot with a contract term of five years.

41 Across the country the 10 lots were awarded as follows:

- Grant Thornton (UK) LLP, the North West, West Midlands, London (South) Surrey & Kent, and South West;
- KPMG LLP, Humberside & Yorkshire, East Midlands, and London (North);
- Ernst & Young LLP, Eastern, and South East; and
- DA Partnership Ltd (now called Mazars DA), the North East & North Yorkshire

42 In the press statement announcing the successful bidders the Audit Commission stated that:

'Public bodies are expected to save over £30 million a year for the length of the contracts. Together with additional savings of £19 million a year achieved through the Commission's own internal efficiencies, the result will be an expected £250 million (or 40 per cent) fall in audit fees for most local public bodies over five years.'

43 The consultation process on the final appointment of auditors to individual audits is set out in 'Strategy for making auditor appointments for 2012/13 and future years' which the Audit Commission published in January 2012. This process will commence in April 2012. The document recognises that there could be 'good reasons' why an audited body would seek a different auditor than that proposed and sets out examples that meet that criterion.

44 Further details are available on the Audit Commission's website. I will continue to keep you updated on developments.

45 Against this background, the Audit Practice's focus remains:

- fulfilling the remaining responsibilities – completing audit work for 2010/11 and delivering your 2011/12 audit – to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider.

Key considerations

46 The Corporate Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper, namely has the Authority.

- Considered the Tough Times report and made appropriate use of the Audit Commission's VFM profiles?
- Used the single person discount comparator tool to compare its levels of council tax single person discount with the predicted level?
- Completed the fraud prevention checklist and, where appropriate, developed an action plan to address any weaknesses?
- Circulated the DCLG's plain English guide to the Localism Act to all members?

Contact details

47 If you would like further information on any items in this briefing, please feel free to contact either me or your Audit Manager.

48 Alternatively, all Audit Commission reports – and a wealth of other material – can be found on the Audit Commission website:

www.audit-commission.gov.uk.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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Audit plan

South Cambridgeshire District Council

Audit 2011/12

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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Corporate Governance Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: Significant risk

Risk	Audit response
<p>Housing Revenue Account (HRA) reform</p> <p>The government is reforming local authority housing finance by adopting a self-financing model from 1 April 2012. For the Authority this will be through a one-off settlement payment to central government on 28 March 2012 which is currently estimated to be £205 million.</p> <p>The Authority will therefore have to borrow to make this payment, therefore ceasing to be debt free.</p> <p>Due to the complexity, magnitude, timing and current lack of clarity over detailed aspects of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<ul style="list-style-type: none"> ■ Review of management oversight of HRA reforms and joint preparatory working with Cambridge City Council. ■ Consideration of Treasury Management strategy. ■ Pre closedown discussions regarding accounting and reporting requirements. ■ Tests of detail on the settlement payment and actual accounting entries.

Testing strategy

My audit involves:

- review and re-performance as appropriate of the work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have:

- identified and agreed, subject to review and re-performance, on the work of your internal auditors that I will place reliance upon as set out in the 'Protocol for liaison between internal and external audit'; and
- sought to maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: Proposed work

Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit (Feb/Mar 2012)	Walkthrough of all key systems. Control testing of: <ul style="list-style-type: none"> ■ General Ledger; ■ Creditors; and ■ Housing Benefits 			Pension Contributions
Final visit (July/Sept 2012)	Top up of controls testing on: <ul style="list-style-type: none"> ■ General Ledger; ■ Creditors; and ■ Housing Benefits 	Pensions assets and liabilities – PWC as auditor of Cambridgeshire Pension Fund.	Pensions liabilities and assets – Hymans Robertson and our own consulting actuary Valuation of property, plant and equipment – District Valuer and our own consulting valuer Gerald Eve.	All material accounts balances and amounts Year-end feeder system reconciliations

I will discuss and agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office. This work must be reported upon before I can certify completion of the audit.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. The significant risk identified in table 1 regarding HRA reform also has implications for the VFM conclusion. The audit response identified in table 1 will therefore support my VFM conclusion.

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 28 September 2012.

Table 3: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February 2012	Memorandum, if required, and Annual Governance Report
Opinion: receipt of accounts and supporting working papers	29 June 2012 for accounts, with working papers subsequently on agreed schedule	
Opinion: substantive testing	16 July 2012 onwards	Memorandum, if required, and Annual Governance Report
Value for money	Start January 2012	Annual Governance Report & Auditor's report
Present Annual Governance Report at the Corporate Governance Committee	28 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	On 28 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 4: **Audit team**

Name	Contact details	Responsibilities
Paul King District Auditor	paul-king@audit-commission.gov.uk 0844 798 5811	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Neil Gibson Audit Manager	n-gibson@audit-commission.gov.uk 0844 798 4142	Manages and coordinates the different elements of the audit work. Key point of contact for the Executive Director, Corporate Services and Head of Accountancy.
Daniel Woo Team Leader	d-woo@audit-commission.gov.uk 0844 798 5786	Responsible for day to day supervision of the audit team. Key point of contact for the Head of Accountancy and the Principal Accountant.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £114,000, as set out in my letter of 20 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £114,000 which represents a 5 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Executive Director, Corporate Services and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. As in previous years, I will work with staff to identify any specific actions that the Authority could take and to provide ongoing audit support.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 5: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£114,000	£120,000	-£6,000
Certification of claims and returns *	£29,392	£34,374	-£4,982
Non-audit work	0	0	0
Total	£143,392	£154,374	-£10,982

* Claims fee reduced due to assumed removal of HOU02 due to HRA reform.

Audit Commission fee rebate

When confirming the work programme and scales of fees for 2011/12 in February 2011, the Commission agreed, subject to affordability, to make additional rebates in 2011/12. Separate therefore from the audit fee set out above; in July 2011 the Audit Commission confirmed that it would be giving audited bodies a rebate from its reserves arising from internal efficiency savings.

The Commission rebate for South Cambridgeshire District Council will be some £9,120.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 6: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement. The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission’s Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively; and
 - I secure the co-operation of other auditors.
- You will inform me of any significant developments impacting on the audit.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on the agreed, specific key systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements in accordance with the schedule to be agreed with the Head of Accountancy and Principal Accountant from 29 June 2012;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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- any director/member or officer in their individual capacity; or
- any third party.



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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

23 March 2012

AUTHOR/S: Executive Director (Corporate Services)

ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY**Purpose**

1. The purpose of this report is for Corporate Governance Committee to conduct the annual review of the Council's Risk Management Strategy and process and agree any changes considered necessary.

Recommendations

2. That Corporate Governance Committee approves the revised Risk Management Strategy, as set out at Appendix B.

Reasons for Recommendations

3. The revised Risk Management Strategy has been updated to address recommendations resulting from Internal Audit's risk maturity review – it therefore represents appropriate application of risk management best practice to the Council's strategy and process.
4. Executive Management Team (EMT) and the Finance & Staffing Portfolio Holder have each rigorously reviewed the Strategic Risk Register, the risks included and assessments of their impact and/or likelihood, at quarterly meetings; a review of strategic risks over the past 12 months indicates that Corporate Governance Committee can have assurance that the Council's Risk Management Strategy and process remain effective.

Background

5. The Risk Management Strategy was first adopted in January 2004 and updated in September 2007, September 2008, February and March 2010, and March 2011; this last update, for the change in the Strategic Risk Register format resulting from moving it into the CorVu performance management system in September 2010, and to address recommendations resulting from Internal Audit's risk management and assurance stocktake.
6. When the Risk Management Strategy and process was revised in 2011, Corporate Governance Committee agreed to receive the portfolio holder's review and approval of the Strategic Risk Register at the September 2011 meeting and to consider whether future monitoring was required. At that meeting, the committee agreed to monitor the portfolio holder's review on an annual basis.

Considerations

7. The quarterly reviews of the Strategic Risk Register by EMT and the Finance & Staffing Portfolio Holder have resulted in:
 - (a) four new risks being added:

- (i) Major projects impact on small teams (September 2011);
 - (ii) Demands on services from an ageing population (September 2011);
 - (iii) Partnership working with the County Council (September 2011);
 - (iv) Keeping up with technology development (September 2011);
 - (b) one risk score being increased:
 - (i) Lack of development progress (June 2011);
 - (c) one risk score being reduced:
 - (i) Equalities (December 2011);
 - (d) and one risk being removed:
 - (i) Productive employee time (June 2011);
 - (e) with the possibility, following EMT's review of the Strategic Risk Register in February 2012, of one other risk being added, two risks being removed and either the score on a fourth risk being reduced or the risk being removed, at the Finance & Staffing Portfolio Holder's meeting on 20 March 2012 – an update on these risks will be provided at the Corporate Governance Committee's meeting.
8. Particular comments made by the Finance & Staffing Portfolio Holder at his quarterly reviews of the Strategic Risk Register are summarised below:
- (a) June 2011: Lack of development progress - The portfolio holder recognised the progress that had been made with regard to future development sites, but considered that EMT should have downgraded the likelihood score from 5 (Almost certain) to 4 (Likely) instead of 3 (Possible). He also considered that the impact of this risk should be 4 (High) instead of 3 (Medium).
 - (b) September 2011: The portfolio holder considered that a higher impact score than 3 (Medium) could be considered for the Supported Housing risk, the Housing Revenue Account risk was being well managed by the Council and should be removed from the register in the next few months, the use of technology in delivering efficiencies should be mentioned in the comments on the 'Keeping up with technology development' risk and questioned whether the Equalities risk should have as high an impact score as 5 (Extreme).
 - (c) December 2011: Welfare reform - While the portfolio holder recognised that the Government's reforms were inevitable, he decided to keep this risk on the register as the Government had still not announced all the details necessary for their implementation.
9. EMT and the Finance & Staffing Portfolio Holder reviews of the Strategic Risk Register at quarterly meetings and a review of strategic risks over the past 12 months indicate that the Council's Risk Management Strategy and process remain rigorous and effective.
10. Internal Audit's risk maturity review was an advisory piece of work, which does not result in a formal assurance opinion; however the review and the risk maturity level of the organisation will support and influence the annual opinion provided by the Head of Internal Audit. Internal Audit's conclusion was, "Overall we consider that the risk management framework as currently operating is adequate and effective. In most instances the recommendations we have made either enhance the controls currently in place and align them with best practice or seek to ensure the processes in place are adequately documented." The recommendations resulting from the review, together with management responses, actions taken and proposed updates to the Risk Management Strategy, are attached at **Appendix A**.
11. The proposed revised Risk Management Strategy is attached at **Appendix B**; proposed updates are shown as **highlighted text**.

12. At the then Northstowe Portfolio Holder’s meeting in April 2011, Councillor Riley suggested an alternative scoring system to the matrix shown in Appendix B of the report, where instead of both impact and likelihood being scored 1-5, likelihood could be expressed as a percentage and impact scored in thousands of pounds. Councillor Wotherspoon welcomed discussion on an alternative scoring system but concluded that the current system was fit for the purpose of deciding which risks were above the tolerance line and so merited special attention. Nevertheless he instructed officers to consider the merits of an alternative matrix on the basis proposed by Councillor Riley. A review of public sector risk management exemplars, local peer authorities and other international organisations is summarised in **Appendix C** and resulted in the following observations and recommendations:
- (a) Some risks may not have a direct financial implication; seeking to attach a monetary value to such risks could divert attention from the main effects of their impact. Prioritising risks based on potential financial loss multiplied by percentage chance of occurrence could suggest a precision that is unintended, confuse consideration of other aspects of risk likelihood and impact and possibly result in incorrect management of risks.
 - (b) The current practices of using a range of descriptive, financial and proximity¹ guidelines to assess impact, and a range of descriptive, percentage and proximity guidelines to assess likelihood, should therefore be continued. However, it is suggested that the likelihood guidelines could be updated to reflect a range of time periods, rather than just “in the next 12 months” as at present (although that phrase does relate to the time horizon considered when the Council’s risk registers are reviewed). An example of how this could be applied is shown as **highlighted text** in Annex E to Appendix B attached.

Options

13. Corporate Governance Committee could approve the changes proposed to address the Internal Audit recommendations and the resulting proposed revised Risk Management Strategy. (***This is the recommended option.***) Alternatively, the committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

Implications

14. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report.
Risk Management	The updated Risk Management Strategy will ensure the authority has an effective risk management process, reflecting the authority’s political arrangements and management structure and the Council’s Aims, and providing appropriate ownership and assurance.
Equality and Diversity	The Risk Management Strategy and process has no inherent equality and diversity implications.
Equality Impact Assessment completed	No A Partial Equality Impact Assessment (EqIA) was prepared with the help of the Equalities & Customer Services Assistant; the impacts have been provisionally assessed as neutral, with no issues arising.

¹ Proximity: In terms of Impact – how long the outcome of the risk might last - some outcomes may be short term; others, longer term. In terms of Likelihood – when the risk might occur; some risks will be predicted to be further away in time than others

Climate Change	The Risk Management Strategy and process has no inherent climate change implications.
----------------	---

Consultations

- 15. The review of the Risk Management Strategy has taken into account recommendations from the Internal Audit risk maturity review.
- 16. EMT considered the proposed revised strategy in February 2012 and has recommended that Corporate Governance Committee approves it.
- 17. The Finance & Staffing Portfolio Holder has been consulted on the proposed revised strategy and has advised that the proposed changes seem fine.

Effect on Strategic Aims

- 18. The annual review of the Risk Management Strategy relates to the Council's commitment to listen to and engage with residents, parishes and businesses to ensure the Council delivers first class services and value for money:
 - (a) it contributes to the Council's corporate governance responsibilities;
 - (b) it also ensures that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed adequately and effectively.

Conclusions / Summary

- 19. The Finance & Staffing Portfolio Holder has exercised his executive responsibility for risk management effectively, including quarterly review and approval of the Strategic Risk Register and associated control measures / sources of assurance.
- 20. Corporate Governance Committee has exercised its governance responsibility for risk management effectively, including annual review of the Risk Management Strategy and process.
- 21. This report proposes changes to the Risk Management Strategy to address recommendations resulting from Internal Audit's risk maturity review and provides a proposed revised Risk Management Strategy that takes these into account.
- 22. The Council's Risk Management Strategy and process appear to be effective.

Background Papers: the following background papers were used in the preparation of this report:

Internal Audit Risk Maturity Review

Contact Officer: John Garnham – Principal Accountant (General Fund and Projects)
Telephone: (01954) 713101

Appendix A

Recommendations regarding the Risk Management Strategy resulting from Internal Audit's review of Risk Management

<i>Ref</i>	<i>Recommendation</i> [Categorisation]	<i>Management response</i>	<i>Update to Risk Management Strategy</i>
1	<p>The opportunity is taken to run a 'refresher' programme on risk to key staff, especially those involved in the management/ monitoring of the Service Risk Registers. This would also be a useful avenue to disseminate any changes that may be made as result of the outcomes of this review.</p> <p>[Low]</p>	<p>Refresher training will be arranged for:</p> <ul style="list-style-type: none"> • officers involved in risk registers; • report writers; • Members (after Annual Council Meeting). <p>The Risk Management Strategy will be updated to refer to including at least a refresher session annually.</p>	<p>Paragraph 9.2.1, third bullet point, has been updated to refer to including at least a refresher session annually.</p>
2	<p>If a new risk on a Service Area risk register has a score in excess of the tolerance level of 12 then EMT should decide if the risk should remain at the Service level or be escalated into the Strategic Risk Register.</p> <p>We would recommend that a note to this effect is made against the risk. Given that Service Area risk registers are only formally reviewed every 6-8 months then we would recommend that if a Service Area identifies a new risk with a score over 12 then this is referred to the next available meeting of EMT for review.</p> <p>[Low]</p>	<p>Corporate managers / the executive director formally review their service area risk registers and accept/approve risks onto them (paragraph 8.1.2 refers). EMT's role is to perform a quality review of service area risk registers periodically (paragraph 8.5.3 refers).</p> <p>Service managers can escalate service area risks for EMT to consider including in the strategic risk register (paragraph 8.4.2 refers).</p> <p>These points will be clarified in the strategy.</p> <p>The strategy will be updated to provide that EMT, as part of its reviews of service area risk registers, will consider whether a new</p>	<p>A reference to "new" risks has been added to paragraph 5.2.7, fourth bullet point and clarification regarding formal review of service area risk registers and approval/ acceptance of new risks has been added as a new paragraph 8.1.1 and to the bullet points under paragraph 8.1.2.</p> <p>Clarification regarding consideration of risks scoring 12 or more, especially if they are new risks, for possible referral to EMT as part of the next Strategic Risk Register review, has been added to paragraph 8.4.2.</p> <p>A reference to EMT, as part of its reviews of service area risk registers, considering whether new service area risks should also</p>

Ref	Recommendation [Categorisation]	Management response	Update to Risk Management Strategy
		risk should also be on the Strategic Risk Register. (It will be assumed not, unless minuted otherwise.)	be on the Strategic Risk Register, has been added to paragraph 8.5.3.
3	<p>There is a need to ensure that risks detailed in the Strategic and Service Area risk registers are re-aligned to the new Corporate objectives for 2012/13.</p> <p>If there are cases where risks recorded relate to an already embedded objective then this will need to be differentiated when recording.</p> <p>[Low]</p>	<p>Risks in both the strategic and service area risk registers will be cross-referenced to the 2012/13 Actions.</p> <p>Where risks relate to previous objectives since embedded, the cross-referencing will be to the relevant 2012/13 Aim.</p> <p>The strategy and relevant annexes will be updated to reflect this.</p>	<p>Paragraphs 5.2.2 and 5.2.7 have been amended to refer to relevant Actions or Aims in the current Corporate Plan.</p> <p>The Strategic Risk Register CorVu report template (Annex C) and the Service Area Risk Register template (Annex D) have been updated to refer to the 2012/13 Actions or Aims.</p>
4	<p>We recommend that Service Areas submit their risk registers alongside their Service Plans to the Portfolio Holder so that there is an opportunity for the Holder to review the risks facing that area and to confirm that the risks detailed in the Service Plan have been mapped across.</p> <p>[Low]</p>	<p>The service plan process has changed so that service priorities are approved in October/November as the basis for emerging service plans, with full and final plans being published in the following March, including service area risks “above the line” – the strategy will be updated to reflect this.</p> <p>The strategy will also be amended so that a portfolio holder may request a briefing/ update from relevant corporate manager(s) / the executive director on the service area risk register(s) appropriate to their portfolio.</p>	<p>Paragraph 8.5.2 has been updated to reflect the changed process.</p> <p>This provision has been added as new paragraph 8.5.4 and the ‘Executive’ and ‘Service managers’ section of Annex H have been updated accordingly.</p>
5	<p>In cases where Service Areas have identified additional control measures / sources of assurance these should be assessed to determine if they change the impact and likelihood score of a risk and</p>	<p>Managers re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account - changes to the scores are shown in the ‘Adjusted risk score’ column.</p>	<p>Clarification regarding re-evaluating Impact and Likelihood scores has been added to paragraph 7.3.</p>

Ref	Recommendation [Categorisation]	Management response	Update to Risk Management Strategy
	this should be recorded. [Medium]	This will be clarified in the strategy.	
6	Ensure that report writers are reminded of the requirements on what information is to be included in the risk implications section of reports We would recommend that the guidance is enhanced to include the requirement that if a risk is reported then a suitable note should be recorded as to whether this is an existing risk. In which case where the risk is being managed, or if it is a new risk which would then require consideration as to where this risk should be included and managed in the future. [Low]	The use of the risk management implications section will be reviewed and guidance updated and training provided as necessary.	Paragraphs 8.5.8 to 8.5.10 will be updated as necessary resulting from the review.
7	In relation to the recording of controls, assurance and actions we recommend: <ul style="list-style-type: none"> • When recording ensure that there is a clear record as to which are the controls and which are the assurances detailed. (This could be through the use of 'C' or 'A' after each statement) • Ensure that controls are actual controls and not statements. • If a control has not yet been fully implemented, we recommend that for the Strategic Risk Register it is included in the 'Timescales to Progress' area and for Service Risk 	The bullet points below correspond to those in the recommendation: <ul style="list-style-type: none"> • In March 2011 Corporate Governance Committee accepted that setting out control measures and sources of assurance separately added too much complexity to the process. • Agreed – this will be included in the refresher training. • Agreed – the strategy will be updated to reflect this and it will be included in the refresher training and applied the next time risk registers are reviewed. 	<ul style="list-style-type: none"> • N/a • N/a • The inclusion of control measures / sources of assurance not yet fully implemented under 'Timescale to Progress' has been added as new paragraph 5.2.5.

Ref	Recommendation [Categorisation]	Management response	Update to Risk Management Strategy
	<p>Registers it is included in the 'Additional Controls/Assurance column'.</p> <ul style="list-style-type: none"> In respect of assurances these need to be explicit in their nature and greater use could be made of trying to link these to existing performance indicators. <p>[High]</p>	<ul style="list-style-type: none"> The linking to performance indicators will be added to the strategy and will be investigated the next time risk registers are reviewed. 	<ul style="list-style-type: none"> Performance indicators have been added to the sources of assurance under paragraph 5.2.4.
8	<p>The process for dealing with managed risks should be clearly defined within the Risk Management Strategy.</p> <p>[Low]</p>	<p>A 'managed' risk is removed from the relevant risk register. Where the activity continues, it becomes part of day to day management of the relevant service area – this will be clarified in the strategy.</p>	<p>Paragraphs 7.5 and 8.1.1 have been added to provide for the removal of risks considered to be "managed".</p>

Appendix B



Draft Risk Management Strategy

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1. Purpose

- 1.1 South Cambridgeshire District Council's primary role is to make South Cambridgeshire the best place to live and work in the country, demonstrating impressive and sustainable economic growth, where residents have a superb quality of life in an exceptionally beautiful, rural and green environment, with the Council recognised as consistently innovative and a high performer with a track record of delivering value for money by focusing on the priorities, needs and aspirations of its residents, parishes and businesses.
- 1.2 The Council has an obligation to minimise risks involved in providing or enabling service delivery. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its aims and objectives.

2. Objectives

- 2.1 The Council's concern is to manage risk effectively, eliminating or controlling risk to an acceptable level. This is done by identification, assessment and management of potential risks, rather than reaction and remedy to past events.
- 2.2 The objectives of the strategy are to:
- (a) Integrate risk management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.
 - (b) Anticipate and respond to changing social, environmental, legislative, etc requirements.
 - (c) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
 - (d) Raise awareness of the need for risk management by managers responsible for the Council's delivery of services.
 - (e) Improve the delivery of Council services and enhance the Council's reputation and public image.
- 2.3 It will not always be feasible completely to eliminate risk. Indeed, calculated risk-taking may be required in certain circumstances to achieve innovative or creative solutions that will help to improve services to customers. However, reckless or unplanned risk-taking would never be acceptable.

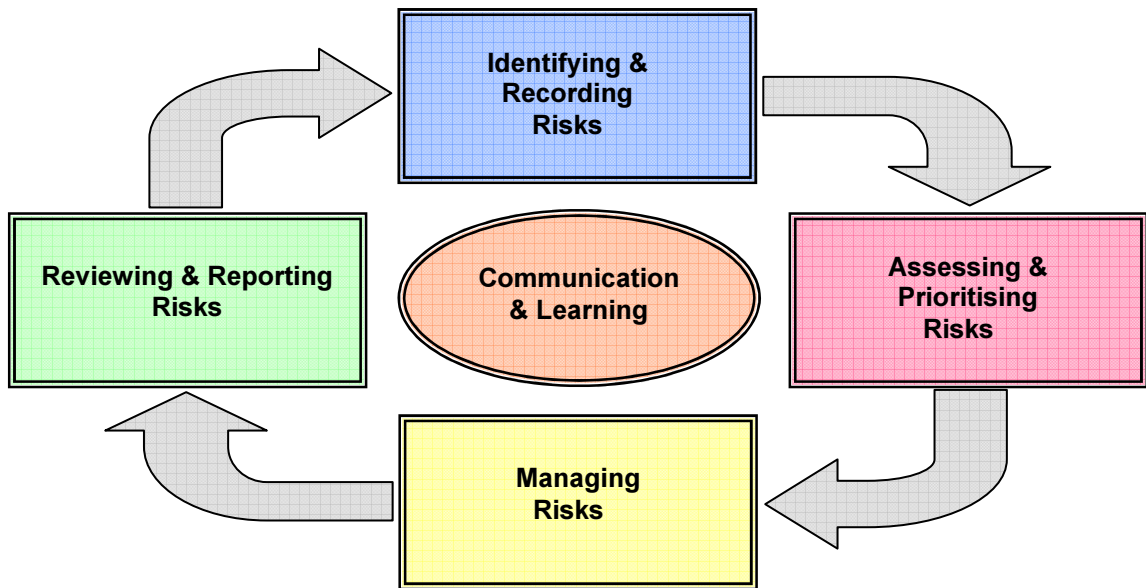
3. Guiding principles

- 3.1 To fulfil its risk management objectives, the Council will:
- (a) Develop a culture that involves the participation of all appropriate staff in risk management.
 - (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction:
 - the executive role - agreement and ownership of the Council's strategic risk register, i.e. the strategic risks facing the Council - will be led by the Finance & Staffing Portfolio Holder;
 - the governance role - advice and assurance regarding the adequacy and effectiveness of the Council's risk management strategy and process - will be undertaken by the Corporate Governance Committee.
 - (c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.

- (d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.
- (e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.
- (f) Have effective communication to make sure everyone is sufficiently informed about risk management.
- (g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

4. Approach to risk management

4.1 The Council employs a simple four step process to manage its risks:



4.2 These steps are outlined in the sections below.

4.3 In accordance with best practice, risk management at the Council incorporates the identification and management of strategic risks, service area risks, project risks and partnership risks. The process is thus embedded throughout the Council.

5. Identifying and recording risks

5.1 Identifying risks

5.1.1 A risk is an event that may occur, which will have an impact on the Council's services, or the achievement of its objectives and priorities. This strategy requires the Council to identify strategic, service area (i.e. operational), project and partnership risks.

5.1.2 Types of risks are outlined in the diagram at **Annex A**. While not exhaustive, the diagram provides a starting point for identifying potential risks, including reputational risks, at both strategic and service area levels, as well as for projects and partnerships.

5.1.3 Further illustrations of some of the risks that should be considered when taking strategic decisions are suggested in **Annex B** (again, the categories are neither prescriptive nor exhaustive).

5.2 **Recording risks**

5.2.1 Identified risks will be recorded in the relevant strategic or service area risk register, project or partnership risk register. Risks will be described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Aim(s)/ Action(s), and the possible outcome(s) that it could result in.

5.2.2 The strategic risk register CorVu report template is attached at **Annex C**. The strategic risk register will identify the top risks facing the Council from a corporate perspective and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- the person nominated as the responsible “Risk Owner”;
- “Target” and “Actual” Risk Scores resulting from assessed Impact and Likelihood scores (see 6.1.1 below);
- Control measures to address / sources of assurance over the risk;
- a dotted line (- - - - -) showing the Council’s risk tolerance line (see 6.2.2 below);
- for risks assessed ‘above the line’, the “Timescale to progress”, i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

(Note: “Target” risk scores are only for CorVu to measure whether risk scores have increased, decreased, or stayed the same and apply a Red / Amber / Green colour coding accordingly – see 5.2.6 below.)

5.2.3 Control measures may be defined as:

- actions to reduce either the likelihood of the risk occurring, or the potential impact of it materialising;
- control measures may be either already in place, or those additional ones considered necessary to manage the risk.

5.2.4 Sources of assurance may be defined as:

- evidence that control measures in place to mitigate a risk are operating effectively;
- sources of assurance can include documents, reports, performance indicators or other methods of verification;
- independent and substantiated evidence provides the strongest assurance.

5.2.5 Control measures to address / sources of assurance over the risk, which are not yet in place, will be shown under “Timescale to Progress”.

5.2.6 The CorVu report enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

for risks previously above the line for risks previously below the line

Red:	<ul style="list-style-type: none"> • the score has increased 	<ul style="list-style-type: none"> • the score has increased to above the line
Amber:	<ul style="list-style-type: none"> • the score has not changed, or has decreased but stays above the line 	<ul style="list-style-type: none"> • the score has increased but stays below the line
Green:	<ul style="list-style-type: none"> • the score has decreased to below the line 	<ul style="list-style-type: none"> • the score has not changed, or has decreased

5.2.7 The service area risk register template is attached at **Annex D**. Service area risk registers will identify potential operational risks affecting the services for which they are responsible and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- Control measures to address / sources of assurance over the risk, already in place;
- the assessed Impact and Likelihood scores and resulting Total scores (see 6.1.1 below);
- the Direction of Travel of the risk (i.e. whether the risk is “new” or the Impact and Likelihood assessments have stayed the same, reduced or increased);
- the person nominated as the responsible “Risk Owner”;
- the Review Frequency, i.e. the frequency at which the control measures/ sources of assurance are being reviewed;
- Additional control measures / sources of assurance considered necessary to manage the risk;
- Additional resources/cost required to manage the risk;
- any Adjusted risk score resulting from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account;
- a dotted line (- - - - -) showing the Council’s risk tolerance line (see 6.2.2 below);
- for risks assessed ‘above the line’, the “Timescale to progress”, i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

5.2.8 The Council will require projects (see section 8.2 below) to use the same format as the service area risk register template. The Project Management Toolkit will be updated to reflect this and guidance will be made available within the Toolkit.

5.2.9 The Council will encourage partnerships (see section 8.3 below) to use the same format as the service area risk register template; however, the Council acknowledges that a partnership may choose to use another format appropriate to its needs. If a partnership chooses not to use the same format, the Council’s lead officer for that partnership should liaise with the Principal Accountant (General Fund and Projects) (PA(GFP)) for guidance on how to structure the risk register/log. Guidance will also be made available in the Partnership Toolkit.

6. Assessing and prioritising risks

6.1 Assessing risks

6.1.1 Each of the identified risks, at both strategic and service area levels and for projects and partnerships, will be assessed in terms of the likelihood of the risk occurring and the potential impact of it materialising, according to the guidelines in **Annex E** and **Annex F**, respectively.

6.2 Prioritising risks

6.2.1 A matrix of these assessments will be used to prioritise risks (see **Annex G**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes represent Total risk scores, obtained by multiplying the Impact score by the Likelihood score. The Total risk scores indicate the order of priority of assessed risks. The risk registers will be re-scheduled in line with the order resulting from the prioritisation matrix. (Where the same Total risk score can be

obtained in more than one area of the matrix, the Impact score will take priority over the Likelihood score.)

- 6.2.2 The dotted line running through the matrix (- - - - -) shows the Council's risk tolerance line, between the level of risk the Council is prepared to accept without putting in place additional control measures / sources of assurance and the level at which risks are considered to require further action.
- 6.2.3 The Council's risk appetite is defined thus: "The Council will ensure that all risks identified are appropriately managed; however, it will require further attention to be given to:
- risks having an Extreme or High impact, with a likelihood of Possible or higher; and
 - risks having a Medium impact, with a likelihood of Likely or higher."
- 6.2.4 Those assessed risks that fall 'above the line' are considered to require further action to reduce either the likelihood of the risk occurring or its impact if and when it does occur; additional control measures / sources of assurance will be identified and recorded for these risks (see 7.1 below).

7. Managing risks

- 7.1 Risks above the risk tolerance line (i.e. with a Total risk score of 12 or higher) require additional control measures / sources of assurance to be put in place to manage them, i.e.:
- active management (including considering terminating the activity or project);
 - contingency plans – robust plans in place to detect any variation from expectations; and/or
 - mitigation to reduce likelihood (if cost effective).
- 7.2 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) will work with the PA(GFP) to develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Where additional control measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, risk owners will discuss these with the managers/officers concerned.
- 7.3 At the service area level, service managers will develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Managers will re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account - any changes to the scores will be shown in the 'Adjusted risk score' column. Where additional control measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, service managers will discuss these with the managers/officers concerned.
- 7.4 Project and partnership risks will be managed in accordance with their governance arrangements.
- 7.5 Risks below the risk tolerance line (i.e. with a Total risk score of 10 or lower) will be reassessed quarterly to ensure there is no change to the underlying risk or control measures / sources of assurance.

7.5 When a risk is considered to be “managed”, i.e. it either no longer exists, or it is now an integral part of day to day management of the service area concerned, it will be removed from the relevant risk register by agreement at the appropriate review meeting (see 8.1.1 below).

8. Reviewing and reporting risks

8.1 Reviewing risks

8.1.1 Reviews of risk registers will include consideration of any new risks. Approval of risk registers will include both the acceptance of new risks and also the removal of risks considered to be “managed”.

8.1.2 Risks are reviewed at service planning, corporate management teams, Executive Management Team (EMT), Finance & Staffing Portfolio Holder, project management and partnership meetings, as appropriate:

- EMT will review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to the Finance & Staffing Portfolio Holder.
- The Finance & Staffing Portfolio Holder will similarly review and approve the strategic risk register quarterly.
- Corporate managers will review and approve their service areas’ risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans and at quarterly intervals, as a minimum. The Executive Director (Corporate Services) will similarly review and approve the collated risk registers for service areas reporting direct to him.
- Project managers and partnership lead officers will facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project or partnership plans.

8.1.3 Should significant risks arise between reviews, they will be considered when they are identified, as necessary.

8.2 Project risks

8.2.1 Projects, such as those of a corporate or significant service nature, major ICT related projects, etc, are required to have their own risk registers, using the same format as the service area risk register template (see paragraph 5.2.7 above). Project managers will review project risk registers in accordance with their project management arrangements.

8.3 Partnership risks

8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council’s direct control.

8.3.2 The Council must therefore identify all the partnerships in which it participates and have an understanding of its involvement and the implications of that involvement in each partnership. Equally, each of the partnerships must have clearly set out objectives and an understanding of the Council’s role in the partnership.

- 8.3.3 The Council must review its partnerships to identify those that are most strategic and important for it and the wider community. For these significant partnerships, a two stage approach will be adopted by those managing them:
- (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis should identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
 - (b) Champion effective risk and performance management procedures within the partnership (including the risk of fraud and corruption), so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.
- 8.3.4 Partnership lead officers will review partnership risk registers in accordance with the partnerships' governance arrangements.

8.4 **Links**

- 8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area, project or partnership risk register, so that the relevant service manager, project manager or partnership lead officer can take a corporate lead on managing it.
- 8.4.2 When reviewing their service area risk registers, service managers and corporate managers / the Executive Director (Corporate Services), may escalate a service area risk for EMT to consider including in the strategic risk register, if the risk is significant (e.g. has a score of 12 or more, and especially if it is a new risk) or has a corporate nature. The PA(GFP) may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.
- 8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The project/ partnership risk registers will record the detailed risks and control measures / sources of assurance relating to the particular project/partnership.
- 8.4.4 The PA(GFP) will facilitate these links. The PA(GFP) will also keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

8.5 **Reporting risks**

- 8.5.1 The PA(GFP) will report the draft strategic risk register to EMT quarterly, for review and recommendation to the Finance & Staffing Portfolio Holder. (Corporate Governance Committee will review the adequacy of this as part of its annual review of the risk management strategy and process, as described in 8.5.9 below. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.)
- 8.5.2 Corporate managers / the Executive Director (Corporate Services) will record service area risks above the line in the Overview section of their service plans published annually. They will update their service area risk registers and control measures /

sources of assurance to the PA(GFP) quarterly, for EMT to consider in its quarterly review of the strategic risk register.

- 8.5.3 In addition, EMT will review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. As part of this, EMT will consider whether risks scoring 12 or more should also be included in the strategic risk register. (It will be assumed not, unless minuted otherwise.)
- 8.5.4 A portfolio holder may request a briefing/update from relevant corporate manager(s) / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- 8.5.5 Project managers and partnership lead officers will report project and partnership risk registers in accordance with their project management/governance arrangements and reporting frequencies. Project managers and partnership lead officers will update their risk registers, including control measures / sources of assurance, to the PA(GFP) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.6 Updates of risk registers will be provided to the Council's insurance officer, to facilitate discussion of insurance cover and negotiation of any premium discounts or reductions with the Council's insurers.
- 8.5.7 If a risk materialises, it will be reported as follows:
- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the PA(GFP), outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
 - service area: a similar report to the service manager by the risk owner;
 - EMT or the service manager, as appropriate, will decide how the recommendations regarding lessons to be learnt will be implemented;
 - for project or partnership risks materialising: a similar report by the project manager or partnership lead officer; decisions about how recommendations regarding lessons to be learnt will be implemented will be taken in accordance with the project management or partnership governance arrangements.
- 8.5.8 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the PA(GFP), so that the risk can be incorporated in the strategic risk register and/or relevant service area risk register, project risk log, or partnership risk log/register, as appropriate. Members should be fully briefed on risks identified in the report.
- 8.5.9 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers and logs, to identify any risks that need to be considered in the report.
- 8.5.10 Positive aspects of the matter under consideration will generally be mainly described in the body of the report to Members, alongside the various "Implications" sections (Financial, Legal, Staffing, Equal Opportunities). Report writers can also use the

Risk Management Implications section to highlight any positive risks (opportunities) not mentioned elsewhere in the report.

- 8.5.11 The PA(GFP) will report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee. (The Finance & Staffing Portfolio Holder will similarly be invited to review the risk management strategy and process and recommend changes.) Corporate Governance Committee will review and approve changes to the risk management strategy and process annually, or if there is a material change during the year.

9. Communication and learning

9.1 Communication

- 9.1.1 Relevant staff and Members will be given timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.

- 9.1.2 Staff and Members will also be kept informed through a risk management page on In-Site, the Council's intranet, on which the following will be posted:

- the risk management strategy,
- the latest version of the strategic risk register,
- the latest versions of service area risk registers;
- guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
- risk management templates.

9.2 Learning

- 9.2.1 The Council will keep its risk management strategy and processes up to date by learning from a variety of sources:

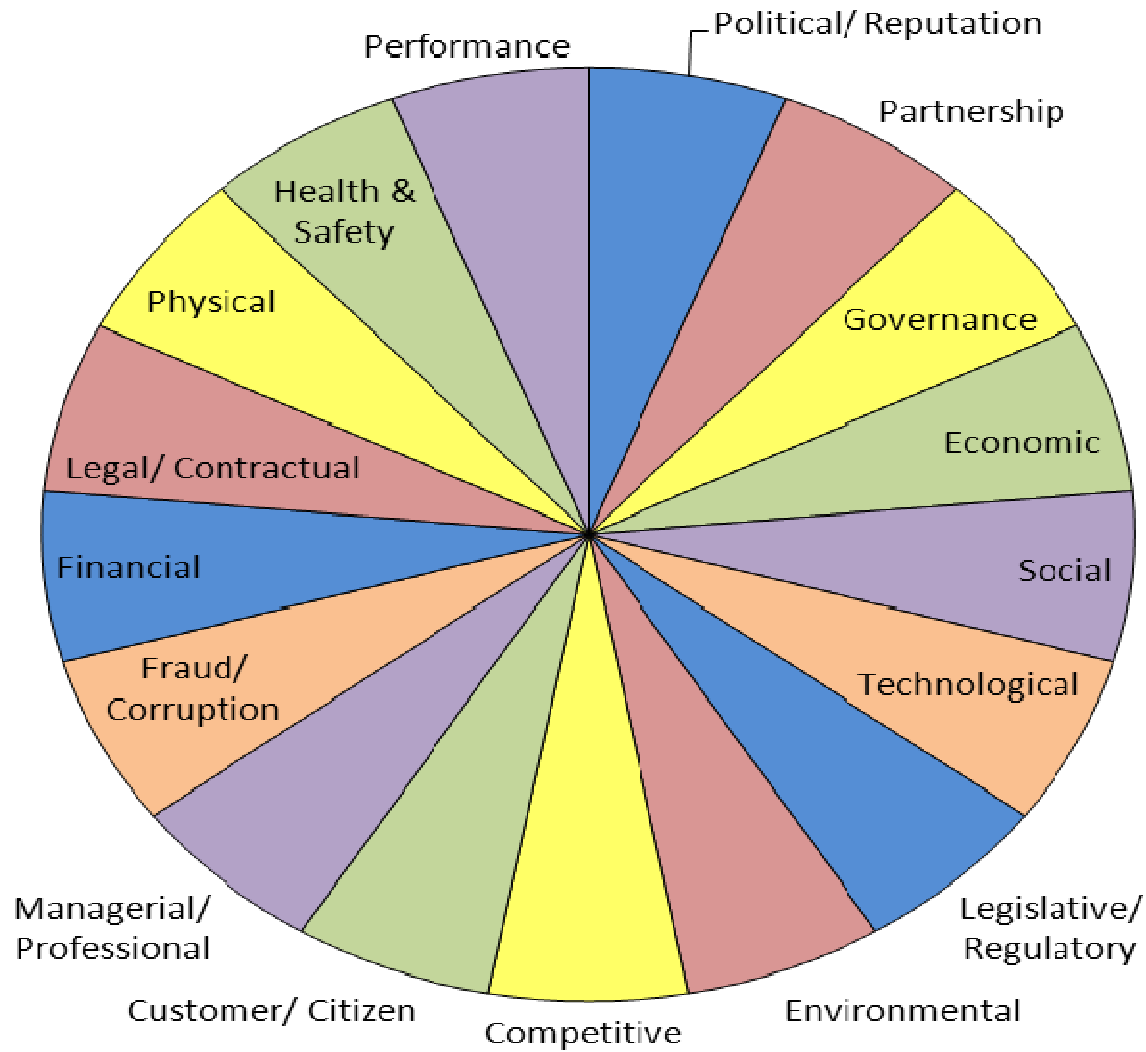
- applying best practice from other local authorities and organisations, as appropriate;
- ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;
- providing relevant training for appropriate staff and Members (including at least a refresher session annually), facilitated by external specialists if necessary:
 - EMT will decide the training to be provided to staff, following a recommendation by the PA(GFP).
 - The Chairman of the Corporate Governance Committee and the Finance & Staffing Portfolio Holder, and the Environmental Services Portfolio Holder, responsible respectively for risk management and for Member training, will decide the training to be provided to Members, following a recommendation from EMT.
 - A record will be kept of risk management training attended by staff and Members.
 - Corporate Governance Committee will review risk management training and the attendance records annually, to ensure that capabilities remain adequate.

(Note: Funding for external training is currently available under the Council's insurance contract.)

10. Organisational arrangements

- 10.1 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.
- 10.2 The prompt alerting of something going wrong can help prevent a situation from becoming worse. Staff are therefore encouraged to alert their line manager to potential risks at the earliest opportunity, without the fear of blame being attributed as a result. This will enable action to be taken as soon as possible to reduce either the likelihood of the risk occurring or the possible effects of it doing so and also promote a culture of openness, transparency and support.
- 10.3 A chart summarising the Council's arrangements for risk management is shown in ***Annex H***.

Annex A The scope of risk; areas to consider



Annex B

Some of the risks to consider when making strategic decisions

The following categories are neither prescriptive nor exhaustive, but illustrate some of the risks Members should consider when taking strategic decisions.

Strategic political risks - associated with failure to deliver either local or central government policy, or to meet the Council's commitments. Includes things such as:

- Wrong strategic priorities
- Not meeting the government's agenda
- Decisions based on faulty or incomplete information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

Strategic economic risks - affecting the ability of the Council to meet its financial commitments. Includes things such as:

- Internal budgetary pressures
- Inadequate insurance cover
- External macro level economic changes (e.g. interest rates, inflation)
- The consequences of proposed investment decisions
- General/regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities
- Failure to meet efficiency targets

Strategic social risks - relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives. Includes things such as:

- Failing to meet the needs of a disadvantaged community
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

Strategic technological risks—associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demand. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives. Includes things such as:

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality
- Failure in communications

Strategic legislative risks - associated with current or potential changes in national or European law. Includes things such as:

- Inadequate response to new legislation

- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act, Disability Discrimination Act etc. breaches

Strategic environmental risks - relating to the environmental consequences of progressing the Council's corporate objectives or service priorities (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc). Includes things such as:

- Noise, contamination and pollution
- Impact of planning and transport policies
- Global warming
- Flood defences

Strategic competitive risks - affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value. Includes things such as:

- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds

Strategic customer/citizen risks— associated with failure to meet the current and changing needs and expectations of customers and citizens. Includes things such as:

- Lack of appropriate consultation
- Bad public and media relations

Annex C Strategic Risk Register CorVu report template

Risk Reference, Title and Description, plus associated Aims The risk event, leading to consequence for service/ Aim(s)/ Action(s), resulting in possible outcome(s). Plus associated 3 A's.	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Actual	
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.

3 A's (Aims, Approaches, Actions)

Impact

Likelihood

Notes

Risks should be cross referenced to the relevant Corporate Plan Actions adopted by Council on 23 February 2012 with effect from 1 April 2012 (e.g. A5 or C2, etc).
 Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2012/13 Aim.

- 5 Extreme
- 4 High
- 3 Medium
- 2 Low
- 1 Insignificant

- 5 Almost certain
- 4 Likely
- 3 Possible
- 2 Unlikely
- 1 Rare

1. The "Reference" will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are available on In-Site under Corporate Information > Risk Management.
2. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
3. The dotted line (-----) shows the Council's risk tolerance line.
4. The "Timescale to progress" is the date (Month Year) by which it is planned that the risk will be mitigated to below the line.

Red / Amber / Green shading in the Actual Column indicates the following movement in risk scores:

	Red	Amber	Green
for risks previously above the line:	<ul style="list-style-type: none"> • the score has increased 	<ul style="list-style-type: none"> • the score has not changed, or has decreased but stays above the line 	<ul style="list-style-type: none"> • the score has decreased to below the line
for risks previously below the line:	<ul style="list-style-type: none"> • the score has increased to above the line 	<ul style="list-style-type: none"> • the score has increased but stays below the line 	<ul style="list-style-type: none"> • the score has not changed, or has decreased

Annex D Service Area Risk Register template

Ref.	Title and Description of risk The risk event, leading to consequence for service/ Aim(s)/ Action(s), resulting in possible outcome(s).	3 A's	Control measures/ sources of assurance in place	Risk score		Direction of travel	Risk owner / Review frequency	Additional control measures/sources of assurance	Additional cost resources required	Adjusted risk score (where relevant)		Timescale to progress
				Impact	Likelihood					Impact	Likelihood	
	Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	
	Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	
	Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	
	Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	
	Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	

3 A's (Aims, Approaches, Actions)

Risks should be cross referenced to the relevant Corporate Plan Actions adopted by Council on 23 February 2012 with effect from 1 April 2012 (e.g. A5 or C2, etc). Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2012/13 Aim.

Impact

- 5 Extreme
- 4 High
- 3 Medium
- 2 Low
- 1 Insignificant

Likelihood

- 5 Almost certain
- 4 Likely
- 3 Possible
- 2 Unlikely
- 1 Rare

Direction of Travel

- ↓ Priority reduced from last review (give the previous Total score in the brackets)
- Priority equal to last review
- ↑ Priority increased from last review (give the previous Total score in the brackets)
- new Risk included in the risk register for the first time

- Notes: 1. The "Ref." will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
 2. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site under Corporate Information > Risk Management.
 3. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
 4. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
 5. The dotted line (-----) shows the Council's risk tolerance line.
 6. The "Timescale to progress" is the date (Month Year) by which it is planned that the risk will be mitigated to below the line.

Annex E Likelihood assessment guidelines

Likelihood	Guidelines	Score
Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances (more than 90%), or • Could happen in the next year, or • More than 90% likely to occur in the next 12 months 	5
Likely	<ul style="list-style-type: none"> • Will probably occur at some time, or in most circumstances (66% - 90%), or • Could happen in the next 2 years, or • 66% to 90% likely to occur in the next 12 months 	4
Possible	<ul style="list-style-type: none"> • Fairly likely to occur at some time, or in some circumstances (36% - 65%), or • Could happen in the next 3 years, or • 36% to 65% likely to occur in the next 12 months 	3
Unlikely	<ul style="list-style-type: none"> • Is unlikely to occur, but could, at some time (11% - 35%), or • Could happen in the next 10 years, or • 11% to 35% likely to occur in the next 12 months 	2
Rare	<ul style="list-style-type: none"> • May only occur in exceptional circumstances (up to 10%), or • Unlikely to happen in the next 10 years, or • Up to 10% likely to occur in the next 12 months 	1

Annex F Impact assessment guidelines

Impact	Giving rise to one or more of the following:							Score
	Service disruption	People	Financial loss <i>(including claim or fine)</i>	Environment	Statutory service/ legal obligations	Management	Reputation	
Extreme	Serious disruption to services (loss of services for more than 7 days)	Loss of life	Financial loss over £500k	Major regional / national environmental damage	<ul style="list-style-type: none"> Central government intervention; or Multiple civil or criminal suits 	Could lead to resignation of Leader or Chief Executive	Extensive adverse coverage in national press and/or television	5
High	Major disruption to services (loss of services for up to 7 days)	Extensive multiple injuries	Financial loss between £251k - £500k	Major local environmental damage	<ul style="list-style-type: none"> Strong regulatory sanctions; or Litigation 	Could lead to resignation of Member or Executive Director	Adverse coverage in national press and/or television	4
Medium	Noticeable disruption to services (loss of services for up to 48 hours)	Serious injury (medical treatment required)	Financial loss between £51k - £250k	Moderate environmental damage	<ul style="list-style-type: none"> Regulatory sanctions, interventions, public interest reports; or Litigation 	Disciplinary / capability procedures invoked	Extensive adverse front page local press coverage	3
Low	Some disruption to internal services; no impact on customers	Minor injury (first aid)	Financial loss of between £6k - £50k	Minor environmental damage	<ul style="list-style-type: none"> Minor regulatory consequences; or Litigation 	Formal HR procedure invoked	Some local press coverage; or, adverse internal comment	2
Insignificant	Insignificant disruption to internal services; no impact on customers	No injuries	Financial loss of up to £5k	Insignificant environmental damage	<ul style="list-style-type: none"> No regulatory consequences; or Litigation 	Informal HR procedure invoked	No reputational damage	1

Annex G Prioritisation Matrix template

			IMPACT				
			Insignificant	Low	Medium	High	Extreme
			1	2	3	4	5
LIKELIHOOD	Almost certain	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Rare	1	1	2	3	4	5

----- Risk Tolerance Line

Managing the risk

[Note: The score is obtained by multiplying the Impact by the Likelihood (e.g. Impact: High; Likelihood: Possible, would result in a score of 12 - i.e. 4 x 3).]

Above the risk tolerance line (i.e. a score of 12 – 25):

- Requires active management (consider termination of the activity or project)
- Contingency plans – robust plan in place to detect any deviation from expectations
- May require some mitigation to reduce likelihood (if cost effective)

Below the risk tolerance line (i.e. a score of 1 – 10):

- Reassess quarterly to ensure no change to underlying risk or control measures / sources of assurance

Annex H Chart summarising the Council's arrangements for risk management

Corporate Governance Committee

The general functions that come under the responsibility of the Committee include:

- To review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control.
- To give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council.

With regard to risk management, the Committee:

- Reviews the risk management strategy and process annually, updating them if necessary.
- This annual review will include considering the adequacy of the quarterly reviews of the strategic risk register by the Finance & Staffing Portfolio Holder.
- Receives relevant training, as and when appropriate.
- The Committee may report to full Council, if considered necessary to ensure that strategic risks are appropriately managed.

Executive

- The Finance & Staffing Portfolio Holder is the lead Member for risk management.
- The Finance & Staffing Portfolio Holder reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- The Finance & Staffing Portfolio Holder reviews and approves the strategic risk register quarterly.
- A portfolio holder may request a briefing/update from relevant corporate manager(s) / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- Receives relevant training, as and when appropriate.

Notes:

- The Chairman of the Corporate Governance Committee, the Finance & Staffing Portfolio Holder and the Environmental Services Portfolio Holder decide the training to be provided to Members, following a recommendation from EMT.

Executive Management Team (EMT)

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly; recommends the strategic risk register to the Finance & Staffing Portfolio Holder.
- May cascade a strategic risk to an appropriate service area risk register.
- Reviews service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year.
- Considers reports on strategic risks that occur and decides how lessons learnt will be implemented.
- Promotes and champions risk management.
- Decides training to be provided to staff, following a recommendation from the PA(GFP); recommends training to Corporate Governance Committee.
- The Executive Director (Corporate Services) is the senior manager responsible for risk management.

“Risk owners”

(Note: The “risk owner” is the person nominated as the lead officer responsible for risks identified in risk registers.)

At the strategic level:

- Work with the PA(GFP) to develop and implement control measures / sources of assurance for managing strategic risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report strategic risks materialising, in conjunction with the PA(GFP), to the next meeting of EMT, recommending the application of any lessons to be learnt.

At the service area level:

- Work with the service manager to develop and implement control measures / sources of assurance for managing service area risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report service area risks materialising to the service manager.

Service managers

- Review service area risk registers alongside service plans annually, reporting risks above the line in published service plans, and at quarterly intervals.
- Respond to portfolio holder requests for briefings/updates on service area risk register(s).
- Where strategic risks are cascaded to a service area risk register, take a corporate lead on managing the risk.
- May escalate a service area risk for EMT to consider including in the strategic risk register.
- Implement control measures / sources of assurance to manage service area risks.
- Update the PA(GFP) quarterly regarding service area risk registers and control measures / sources of assurance.
- Consider reports on service area risks that occur and decide how lessons learnt will be implemented.
- Have primary responsibility for managing risks in their service areas, since they are best-placed to determine the appropriate actions to minimise risks to their customers, staff, services or budgets.

Project managers

- Review project risk registers at frequencies set out in project plans, reporting these in line with project management arrangements.
- Update the PA(GFP) quarterly regarding project risk registers, including control measures / sources of assurance.
- Report project risks materialising, in accordance with project management arrangements.

Partnership lead officers

- Review partnership risk registers at frequencies set out in partnership plans, reporting these in line with governance arrangements.
- Update the PA(GFP) quarterly regarding partnership risk registers, including control measures / sources of assurance.
- Report partnership risks materialising, in accordance with governance arrangements.

Principal Accountant (General Fund and Projects) (PA(GFP))

- Coordinates EMT's annual review of the risk management strategy and the resulting reports to the Corporate Governance Committee.
- Coordinates EMT's quarterly review of the strategic risk register and associated action plans, and the resulting reports to the Finance & Staffing Portfolio Holder.
- Assists nominated risk owners to develop and implement control measures / sources of assurance to manage strategic risks, including additional control measures / sources of assurance for risks assessed above the Council's risk tolerance line.
- Keeps a record tracking the priority of identified strategic risks.
- Assists risk owners to report on strategic risks that occur, together with recommendations regarding any lessons to be learnt.
- Coordinates corporate managers' reviews of collated service area risk registers, quarterly.
- Reviews service area risk registers to identify risks of a significant, corporate or common nature.
- Facilitates cascade of strategic risks to relevant service area risk registers and escalation of significant, corporate or common service area risks for EMT to consider including in the strategic risk register.
- Links project and partnership risk registers to the strategic risk register and/or service area risk registers, as appropriate.
- Facilitates inclusion of risks identified in reports to Members, in the appropriate risk register
- Recommends training for staff and Members to EMT.
- Facilitates relevant training, guidance and advice on risk management.
- Communicates risk management matters to staff.

Notes:

- Responsibility in respect of risk and risk management will be included in relevant officers' job descriptions.
- The management competency framework will be reviewed to incorporate risk management responsibilities and objectives.

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Appendix C

Assessing Risk Likelihood and Impact

Summary of reviews of public sector risk management exemplars, local peer authorities and other international organisations

Risk is by its very nature uncertain; if something can be said to be certain, it is not a risk to be managed but an issue to be addressed. However, proper assessment of risk impact and likelihood is critical to the effectiveness and credibility of the risk management process - the understanding of each risk will be more complete, enabling better control measures to be implemented, leading more reliably to the achievement of related objectives.

It can be very difficult to obtain accurate quantitative data on which to assess likelihood:

- there may be no relevant previous data on the likelihood of occurrence of the risk;
- such data as there is may not be available;
- the risk exposure may be unclear, e.g. is it related to length of time, number of tasks, etc;
- the number of times the risk event has been deliberately avoided may not be known;
- data needs to be adjusted to take into account any changes that have occurred in the environment, e.g. increased number of properties, severity of weather conditions, etc;
- it may not be possible to know the likelihood of a risk if it is dependent on outside factors;
- the likelihood of future events can only be estimated.

Because valid quantitative data is often not available, qualitative indicative descriptions are usually used to score likelihood assessments. However, reliable likelihood assessments are important and the risk management process may be undermined if they appear to be wholly subjective. Various alternative approaches and different techniques are available, but none is foolproof or applicable in every situation:

- labels (high, medium, low) or phrases (improbable, possible, likely) - can be ambiguous;
- odds (1:50, 1:10, 1:3) - can be difficult to comprehend;
- percentages (5%, 40%, 70%) or decimals (0.05, 0.4, 0.7) - can imply precision where reality is less certain;
- ranges (1-10%, 25-50%, 70-90%) - can be artificial, may not reflect ranges of likelihood in reality.

The purpose of risk management is to ensure that risks are properly managed, not to achieve absolute accuracy in assessments of likelihood or impact. Using numbers when assessing risk could give a misleading impression of precision, causing risk reviewers to assume more than is actually intended.

A review of risk assessment methodologies of risk management exemplars, local peer authorities and other organisations showed that they used a range and combinations of descriptive, percentage and proximity¹ criteria to assess likelihood. None of the organisations using percentages to score likelihoods link these to potential financial impacts in order to prioritise risks.

Although the assessment of risk likelihood is therefore mainly subjective, risk reviewers can use a variety of approaches and techniques to bring a degree of objectivity to the process, always understanding that these are meant to guide a score, not impose a value.

¹ Proximity: when the risk might occur; some will be predicted to be further away in time than others

Prioritising risks based on potential financial loss multiplied by percentage chance of occurrence could suggest a precision that is unintended, confuse consideration of other aspects of risk likelihood and impact and possibly result in incorrect management of risks. (Some risks may not have a direct financial implication; seeking to attach a monetary value to such risks could divert attention from the main effects of their impact.)

All this indicates that the current practice of using a range of descriptive, percentage and proximity guidelines to assess likelihood should therefore be continued. However, it is suggested that the guidelines for assessing likelihood could be updated to reflect a range of time periods, rather than just "in the next 12 months" as at present (although that phrase does relate to the time horizon considered when the Council's risk registers are reviewed).

Table of organisations reviewed

Organisation	No. of criteria	Means of assessing	
---------------------	------------------------	---------------------------	--

Risk management exemplars

Birmingham Audit	4	descriptive percentages	e.g. likely, will occur in most circumstances; 50% - 80% chance
London Borough of Bexley	6	descriptive percentages proximity *	e.g. likely to happen at some point in next 1-2 years; circumstances occasionally encountered (few times per year); 51% - 75% chance of occurrence
London Development Agency	4	percentages	e.g. 50% - 75%
Warwickshire County Council	4	percentages proximity	e.g. 41% to 75% chance of circumstances arising; likely to occur in the next 1-2 years

* See Ruleworks below

Local peer authorities

Cambridgeshire County Council	5	descriptive	e.g. is likely to occur at some time in normal circumstances
Fenland District Council	5	descriptive	e.g. there is a risk that the event/incident will occur at some time
Huntingdonshire District Council	5	descriptive proximity	e.g. likely; likely to happen within the next year

Other organisations

University College London	5	descriptive	e.g. will probably happen or recur, but it is not a persisting issue/circumstance
World Intellectual Property Organisation	3	descriptive	e.g. an event will probably occur in many circumstances
Ruleworks	n/a	proximity	i.e. when the risk might occur: some will be predicted to be further away in time than others
Queensland Government	4	descriptive proximity	e.g. happens about once a year in this industry
SANS Institute	3	percentages proximity	e.g. 26-75% chance of successful exercise of threat during a one-year period

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

23 March 2012

AUTHOR/S: Executive Director (Corporate Services)

STRATEGIC RISK REGISTER

Purpose

1. The purpose of this report is to enable Corporate Governance Committee to consider the Finance & Staffing Portfolio Holder's latest quarterly review and approval of the Council's Strategic Risk Register.
2. This is not a key decision but it has been brought to this meeting because the committee wishes to monitor that the Strategic Risk Register has been properly considered by the portfolio holder.

Recommendations

3. That Corporate Governance Committee notes the Finance & Staffing Portfolio Holder's latest quarterly review and approval of the Strategic Risk Register.

Reasons for Recommendations

4. The Strategic Risk Register and Matrix forms the record of corporate risks the Council currently faces in the delivery of services and the achievement of strategic aims, together with control measures to address / sources of assurance over the risks.

Background

5. At its meeting on 28 March 2011, Corporate Governance Committee agreed to receive the portfolio holder's review and approval of the Strategic Risk Register at the September 2011 meeting and to consider whether future monitoring was required. At its meeting on 30 September 2011, the committee agreed to now monitor the portfolio holder's review on an annual basis. .
6. This report presents the latest version of the Strategic Risk Register, which is due for review and approval at the Finance & Staffing Portfolio Holder's meeting on 20 March 2012 – an update on what takes place will be provided at the committee's meeting.

Considerations

7. The Strategic Risk Register was reviewed with the nominated risk owners and other members of Executive Management Team (EMT). A proposed updated version was presented to EMT on 22 February 2012. EMT agreed to recommend the following proposed changes to the Strategic Risk Register, to the Finance & Staffing Portfolio Holder:
 - (a) **Welfare Reform:** Control measures / sources of assurance updated to reflect impact assessment work undertaken on the Government's proposals and the project plan for localised council tax benefits.
 - (b) **Lack of development progress:** The risk description updated to reflect that development is below target. Control measures / sources of assurance updated to reflect the Phase 1 planning application received on 27 February 2012.

- (c) **Implementation of National Job Evaluation (JE) Scheme:** Control measures / sources of assurance updated to reflect:
- (i) The formal consultation process ending in March 2012 and that managers had commenced that process;
 - (ii) Staff briefings held in December 2011 and January 2012 and updates included in the Corporate Brief;
 - (iii) All JE documents are held on Insite.
- (d) **Supported Housing:** Timescale to Progress updated to reflect that confirmation had been received of the reduction in funding w.e.f. April 2012, that consultation had taken place with staff on the new structure and that the Housing Portfolio Holder approved a new sheltered housing structure on 15 February 2012.
- (e) **Illegal traveller encampments or developments:** Control measures / sources of assurance updated to reflect :
- (i) Gypsy & Traveller Plan to be included in Local Plan; Issues & Options consultation, Summer 2012;
 - (ii) Monthly report on position regarding temporary expiries and applications circulated to SOG for coordination and oversight.
- Timescale to Progress updated to reflect that monitoring of new applications is ongoing and that the Local Plan is due for completion 2014.
- (f) **Medium Term Financial Strategy (MTFS):** Control measures / sources of assurance updated to reflect that an updated MTFS was approved by Council on 23 February 2012.
- (g) **HRA Business Plan, Government policy changes:** This was a new risk, deriving from the risk register attached to the Housing Revenue Account (HRA) Business Plan approved at Council on 23 February 2012. The risk description, score, control measures / sources of assurance and timescale to progress had been taken from that risk register.
- (h) **Major projects impact on small teams:** EMT considered that this risk was now fully covered in project plans prepared for major projects and that resources would be prioritised to address any impacts arising, so it was suggested that this risk may be removed from the Strategic Risk Register.
- (i) **Potential risk once HRA reform is implemented:** Timescale to Progress updated to reflect that a viable Business Plan had been approved by Council, with a separate risk register identified.
- (j) **Partnership working with Cambridgeshire County Council:** Control measures / sources of assurance updated to reflect the Action in the 2012/13 Corporate Plan and more generic wording about playing an active role in partnerships.
- (k) **Demands on services from an ageing population:** Control measures / sources of assurance updated to reflect:
- (i) Housing for older people Task & Finish review reported to Scrutiny & Overview Committee on 6 February 2012;
 - (ii) County wide workshop to which SCDC is invited on 16 March 2012.
- (l) **Depot size:** Heads of Terms are being reviewed and implementation and additional costs have been provided for in budgets. Vehicles are due to move to a temporary facility in April 2012 and the revised date for the move to the new depot facility is October 2012. The Likelihood score could therefore be reduced from 3 (Possible) to 2 (Unlikely), which would bring the risk below the Council's tolerance line. However, as the risk is now more of an operational issue, and is included in the Health & Environmental Services service area risk register, it was suggested that the risk may be removed from the Strategic Risk Register.
- (m) **Equalities:** Control measures / sources of assurance updated to reflect that the Council completed its specific duty to publish equality information by 31 January 2012. Timescale to Progress updated to reflect that the new Single

Equality Scheme will be presented to Cllr. Howell for endorsement on 21 March 2012.

- (n) **Climate change:** As suggested at the Finance & Staffing Portfolio Holder meeting on 20 December 2011, the previous Climate Change risk, which had two elements, has been divided into two risks:
- (i) **Safeguarding the Council's services against climate change:** This risk has been scored Impact 4 (High), Likelihood 2 (Unlikely).
 - (ii) **Achieving a 10% reduction in CO₂ emissions:** This risk has been scored Impact 2 (Low), Likelihood 4 (Likely).

The risk descriptions and control measures / sources of assurance have been taken from the previous Climate Change risk.

- (o) **Keeping up with technology development:** Risk description updated to reflect the possible inability to appropriately manage the handling of data and sensitive information. Control measures / sources of assurance updated to reflect:
- (i) The Information Governance project, EMT, and the Policy & Performance Portfolio;
 - (ii) The exchange of information, ideas and opportunities via the County Data Sharing Group;
 - (iii) Membership of the British Computer Society;
 - (iv) Regular engagement with Members.

However, as various initiatives to take advantage of technology development are being progressed, and as this risk only has a score of 4, it was suggested that the portfolio holder considers removing it from the Strategic Risk Register.

8. The above changes and additions were included in the draft Strategic Risk Register CorVu report and Matrix, attached at **Appendices A and B**, respectively. Risks suggested for removal are shown **greyed out** at the end of the risk register.
9. The CorVu report enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

for risks previously above the line for risks previously below the line

Red:	• the score has increased	• the score has increased to above the line
Amber:	• the score has not changed, or has decreased but stays above the line	• the score has increased but stays below the line
Green:	• the score has decreased to below the line	• the score has not changed, or has decreased

Options

10. In considering the Finance & Staffing Portfolio Holder's review of the Strategic Risk Register CorVu report and Matrix (paragraphs 7 to 9, and Appendices A and B), Corporate Governance Committee could suggest:
- (a) changes to either the title or detail of the risks or control measures;
 - (b) alterations to the impact or likelihood assessments of risk;
 - (c) the adoption of additional control measures.

Implications

- | | |
|--------------------------------|---|
| 11. Financial, Legal, Staffing | There are no immediate financial, legal or staffing implications resulting from this report.
Some control measures may have financial, legal or staffing implications; if so, these will be considered separately. |
|--------------------------------|---|

Risk Management	Risk management is undertaken regularly in order to minimise the possibility of the Council being adversely affected should either an unforeseen risk arise or an assessed risk not be properly planned for.
Equality and Diversity	The Council's risk management process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register.
Equality Impact Assessment completed	No Not applicable, as this is a report about a quarterly review, rather than a new or updated strategy, policy or procedure.
Climate Change	The Council's risk management process has no inherent climate change implications; however, Climate Change is included as a risk area on the Strategic Risk Register.

Consultations

12. Risk owners and members of EMT have been consulted regarding various aspects of this report.
13. The Finance & Staffing Portfolio Holder will review the Strategic Risk Register CorVu report and Matrix at his portfolio holder meeting on 20 March 2012.
14. There will be liaison with officers as appropriate regarding the implementation of decisions made by the Finance & Staffing Portfolio Holder regarding this report.

Consultation with Children and Young People

15. There has been no consultation with children and young people regarding this report.

Effect on Strategic Aims

16. The proposals in this report relate to the Council's strategic aim of being a listening council, providing first class services accessible to all:
 - (a) they contribute to the Council's corporate governance responsibilities;
 - (b) they also ensure that strategic risks involved in the delivery of the Council's Corporate Plan and in meeting the Strategic Aims are identified and managed.

Conclusions / Summary

17. Appendices A and B represent the draft Strategic Risk Register and Matrix resulting from the consultations.
18. The quarterly review of the Strategic Risk Register enables the Council to manage its strategic risks to an acceptable level.

Background Papers: the following background papers were used in the preparation of this report:

None unpublished

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Appendix A
Strategic Risk Register
March 2012 - Draft
[changes highlighted in pale blue]



Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR15 - Welfare Reform Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system, <i>leading to possible:</i></p> <ul style="list-style-type: none"> increased IT cost due to required system changes; implementation costs not fully reimbursed by Government grant; increased workload for Benefits and Homelessness teams, <p><i>resulting in potential for:</i></p> <ul style="list-style-type: none"> adverse effect on service provision due to the number of changes; increased dissatisfaction with the service due to reduced amounts of benefit payable; impact on Medium Term Financial Strategy; devastating effect on people with mental health problems; and dislocation of private sector housing market. <p>Aims, Approaches, Actions: A iii, A iv, A v</p>	Alex Colyer		20	<p>SCORES - IMPACT: 4; LIKELIHOOD: 5. [Note: Scores have been assessed on the perceived scale and impact of the announced changes, and the timescale to implement them (although there may be changes to this) - scores will be reassessed and targets set when more information and clarity is available.]</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Discretionary Housing Payments policy completed and approved. Response made to council tax benefit consultation. Consultations with professional bodies, peer authorities and software suppliers. Consultations with registered social landlords (RSLs), ongoing. Impact assessment work undertaken on proposals and council house accommodation – to be fed into the consideration at a strategic level of possible implications on social housing allocations. Consideration of possible criteria for own council tax benefit scheme. Benefits and Housing Advice & Homelessness teams to provide initial training. Signpost residents who are in difficulty, advice / counselling / financial help / medical assistance etc. Project plan for Localised Council Tax Benefits. [More control measures / sources of assurance will be identified and put in place as further details of the changes are confirmed.]</p> <p>TIMESCALE TO PROGRESS: Spring 2013 (Council tax support (local authorities) due to go live w.e.f. 1 April 2013.)</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR05 - Lack of Development Progress While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, development is below target, leading to the authority being unable to deliver its housing needs, resulting in the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.</p> <p>Aims, Approaches, Actions: C.i., C.ii.2., E.iii., E.iv.</p>	Jo Mills	10	16	<p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: A14 - Task Group set up with Department for Transport. Government announcement of funding for 'interim measures' on A14, and recognising need for longer term investment after the Task Group has concluded its work. Deliverability/Viability work commenced with Northstowe joint promoters and County Council. Viability Consultants appointed in November. Public Consultation events run for Northstowe in October. Phase 1 planning application received 27 February 2012. Planning Policy produce an Annual Monitoring Report (forecasts housebuilding levels), annually review the Local Development Scheme (can address any shortfall) and have started a new Strategic Land Availability Assessment (SHLAA). Report on land supply presented to PFH on 24 November 2011. Pre-application discussions started with Marshalls regarding land north of Newmarket Road</p> <p>TIMESCALE TO PROGRESS: Timetable for new Local Development Scheme has been agreed by New Communities Portfolio Holder (PFH) in March 2011 with new plan in place in 2014.</p>
<p>STR14 - Implementation of National Job Evaluation Scheme (a) The Council and trade unions are not able to form a collective agreement for the implementation of a revised job evaluation scheme, leading to worsening industrial relations and equal pay challenges and poor publicity, resulting in public dissatisfaction with the Council's services. (b) Employee anxiety about Job Evaluation, leading to significant staff absence or reduced productivity, resulting in inability to provide full services.</p> <p>Aims, Approaches, Actions: All</p>	Alex Colyer	10	16	<p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Employment of specialist staff to manage the process. Exchange of information and discussions through the Job Evaluation (JE) Steering Group. JE Steering Group met on 19 May 2011 and continued to have negotiation meetings and work with the trade unions. The meeting with the regional Joint Secretaries on 14 November 2011 made two recommendations, which have been agreed, with Unison, GMB and the Council: 1. To wait until after the Cabinet meeting in February 2012 before finalising negotiations. 2. In the meantime, the Council will commence a formal 90-day consultation process, starting 1st December 2011 and ending in March 2012. This consultation will be with all employees on the proposals contained within the single status agreement. Managers have commenced this process. Implementation of an effective and timely communications plan – staff briefings have been held in Dec 11 and Jan 12. Updates included in the corporate brief Update letters issued to all staff in October and November 2011. All JE documents held on Insite.</p> <p>TIMESCALE TO PROGRESS: Next Joint Secretaries meeting has been scheduled for 22 February 2012.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR12 - Supported Housing Reduction in Supporting People (SP) funding, leading to loss of staff and changes to delivery structure, resulting in dissatisfaction amongst residents and concerns over well being of vulnerable people</p> <p>Aims, Approaches, Actions: A, C</p>	Stephen Hills	10	15	<p>SCORES - IMPACT: 3; LIKELIHOOD: 5.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Needs assessment of all tenants + Member task & finish group to identify best ways to meet tenants' needs. Consultation with staff on new structure. The Housing Portfolio Holder approved a new sheltered housing structure on 15 February 2012.</p> <p>TIMESCALE TO PROGRESS: Reduction in funding decision now taken (wef April 2012); confirmation received. Will need to competitively tender to provide the sheltered housing service, in time for April 2013.</p>
<p>STR03 - Illegal Traveller encampments or developments Failure to find required number of sites, or sites identified do not meet the needs of local Travellers, leading to illegal encampments or developments in the District, resulting in community tensions; cost and workload of enforcement action, including provision of alternative sites and/or housing; poor public perception and damage to reputation.</p> <p>Aims, Approaches, Actions: E.i., C.iv.3.</p>	Jo Mills	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Gypsy & Traveller Plan to be included in Local Plan. Issues & Options consultation, Summer 2012. Ongoing routine monitoring of all District development. Draft Government guidance issued, county wide needs assessment completed in September 2011 but further work required. Monthly report on position regarding temporary expiries and applications circulated to SOG for coordination and oversight.</p> <p>TIMESCALE TO PROGRESS: New applications – ongoing. Local Plan due for completion 2014.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR08 - Medium Term Financial Strategy (MTFS) Risks concerning the financial projections include:</p> <ul style="list-style-type: none"> not achieving delivery of savings to meet targets; pay and inflation exceed assumptions; interest rates do not meet forecasts; employer's pension contributions increases exceed projections; impact of successful equal pay claims exceeds available reserves; changes in demand for some service areas could lead to pressures in the related budgets; unforeseen restructuring costs; local government resource review - localisation of business rates; major developments do not meet housing trajectory forecast; uncertainty re new homes bonus and formula grant from 2013/14; cost of supporting development and meeting demand from growth; impact of welfare reform (and see STR15 above); costs associated with the economic downturn; HRA self-financing post reform; availability of budget for Cabinet priorities; council tax strategy, <p><i>leading to the Council needing to take action to cut its budgets, resulting in cuts in services, public dissatisfaction, audit and inspection criticism.</i></p> <p>Aims, Approaches, Actions: A.v.</p>	Alex Colyer	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Revised MTFS incorporates updated assumptions. Implement plans to deliver Council's programme in line with latest General Fund (GF) / Housing Revenue Account (HRA) savings targets. Executive Management Team (EMT) reviews progress in achieving budget targets. Explore shared service opportunities. Treasury management reports to Finance & Staffing PFH. Monitor pay and inflation factors, pay and grading review, effect of current economic climate on demand led services and budgets. Integrated business monitoring process. Updated MTFS Forecast approved by Council on 23 February 2012.</p> <p>TIMESCALE TO PROGRESS: Next integrated business monitoring report.</p>
<p>STR24 - HRA Business Plan: Government policy changes <i>Government decides to reopen the debt settlement, leading to increased debt requirement, resulting in reduced housing programme.</i></p> <p>Aims, Approaches, Actions: A, C</p>	Stephen Hills	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Capacity has been built into the Housing Revenue Account (HRA) business plan to absorb some future changes if they are required.</p> <p>TIMESCALE TO PROGRESS: Monitor Government policy including utilising our partnership arrangements with the Chartered Institute of Housing. Annual review of business plan, programme and resources.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR13 - Potential risk once HRA reform is implemented. Council fails to prepare for taking on £200M debt, <i>leading to</i> significant shortfall in funds or mismanagement of finances, <i>resulting in</i> potential of regulatory intervention.</p> <p>Aims, Approaches, Actions: A, C</p>	Stephen Hills	5	10	<p>SCORES - IMPACT: 5; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Standard budget setting and financial controls. Project team set up to manage implementation process. Consultancy support procured (stock condition survey and draft business plan). Joint project team meeting with Cambridge City Council's project team; possible opportunities to rationalise common pieces of work, make best use of resources and information. Viabale HRA Business Plan approved by Council - separate risk register identified.</p> <p>TIMESCALE TO PROGRESS: Outcome of initial consultation published February 2011, providing route map for implementation. Anticipate new regime from April 2012.</p>
<p>STR20 – Partnership working with Cambridgeshire County Council The failure of partnership arrangements (e.g. health & wellbeing, economic development, transport) with the County Council, <i>leading to</i> the needs of district residents and businesses not being adequately met or reflected in County Council resource allocation decisions, <i>resulting in</i> adverse effects on the district's residents and businesses.</p> <p>Aims, Approaches, Actions: All</p>	Paul Howes	9	9	<p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Active engagement of officers and Members in partnerships, to ensure the district's residents' and businesses' needs are articulated. New action in Corporate Plan for 2012/13.</p> <p>TIMESCALE TO PROGRESS: Dependent on the timeframe/milestones for each partnership.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR19 - Demands on services from an ageing population The district's demography changes, with significant growth in the over 65 year old population, <i>leading to</i> additional demands on health and social care services, including to the Council's sheltered housing and benefits services, <i>resulting in</i> adverse impact on service standards; increased customer dissatisfaction with services; increased levels of social isolation.</p> <p>Aims, Approaches, Actions: A, C</p>	Steve Hampson	9	9	<p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Establishment of 'Ageing Well' workshops to build relations with statutory and voluntary partner agencies, and promote community based preventative measures Multi agency working group established September 2011, to meet bi monthly. South Cambridgeshire Ageing Well strategy to be prepared for April 2012. Demographic data to inform new South Cambridgeshire Local Plan – timetable agreed in March 2011. Housing for older people Task & Finish review reported to Scrutiny & Overview Committee, 6 February 2012. Take account of demographic change in the corporate and financial planning cycle. Action in 2012/17 corporate plan to 'Work with older people to improve their independence and quality of life'. Redesign services to address demands. Participation in county wide Ageing Well project – initial meeting held November 2011. County wide workshop to which SCDC is invited on 16 March 2012.</p> <p>TIMESCALE TO PROGRESS: See various dates above.</p>
<p>STR02 – Equalities The Council is successfully challenged over not complying with general equalities legislation or legislation specific to public and local authority bodies, <i>leading to</i> possible Commission for Human Rights and Equalities inspection, <i>resulting in</i> reduction in reserves available to support balanced MTFs, adverse publicity and effect on reputation.</p> <p>Aims, Approaches, Actions: A.ii.3., B.iv.6., C.iv.3.</p>	Paul Howes	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: 'Achieving' level of the Equality Framework for Local Government and the legal requirements of the new Public Sector Equality Duty (PSED). The Council has completed the publication of equality information (due date 31 January 2012) and has a specific duty to publish equality objectives by 6 April 2012. This information will be published by a new Single Equality Scheme (SES).</p> <p>TIMESCALE TO PROGRESS: Cllr Howell agreed on 19 January 2011 to endorse a new SES for consultation in response to the new Equality Act 2010. New SES was out for consultation until 24th June. Where appropriate, results will be incorporated into a new scheme, which will be presented to Cllr. Howell for endorsement on 21 March 2012.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR22 - Safeguarding the Council's services against climate change</p> <p>The Council fails to develop measures to safeguard its services against climate change, leading to unacceptable vulnerability to the impact of climate shifts and other weather-related events, resulting in a degradation or breakdown of service delivery and damage to property, increasing costs and impact on the Council's reputation.</p> <p>Aims, Approaches, Actions: C.vii.</p>	Jo Mills	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Council adopted the Climate Change Action Plan (CCAP) 2011-2013 on 22 September 2011. Specific actions in place within CCAP and New Communities Service Plan. New co-ordination body (Internal Sustainability Delivery Group - ISDG) assisting with implementation and monitoring. Regular EMT reporting and quarterly performance reports to PFH meetings.</p> <p>TIMESCALE TO PROGRESS: CCAP actions undertaken over the period 2011 to 2013</p>
<p>STR23 - Achieving a 10% reduction in CO₂ emissions</p> <p>The Council fails to achieve 10% reductions in the emission of CO₂ from its operations, leading to continued level of emissions, resulting in loss of reputation, reduced ability to require developers and businesses to reduce CO₂ emissions.</p> <p>Aims, Approaches, Actions: 5</p>	Jo Mills	8	8	<p>SCORES - IMPACT: 2; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Council adopted the Climate Change Action Plan (CCAP) 2011-2013 on 22 September 2011. Specific actions in place within CCAP and New Communities Service Plan. New co-ordination body (Internal Sustainability Delivery Group - ISDG) assisting with implementation and monitoring. Regular EMT reporting and quarterly performance reports to PFH meetings.</p> <p>TIMESCALE TO PROGRESS: CCAP actions undertaken over the period 2011 to 2013</p>
<p>STR17 – Major projects' impact on small teams</p> <p>The volume, scope and nature of public enquiries and/or requests for information regarding major projects requires greater capacity than is available in small teams which are directly or indirectly affected, leading to (a) inability either to provide a response or one in as much detail as desired; (b) inability to deliver key projects within agreed timescales and budget and/or diminished service delivery, resulting in (a) failure to provide adequate service to our customers and consequent customer dissatisfaction and reputational damage; (b) detrimental impact on other services in terms of performance and morale.</p> <p>Aims, Approaches, Actions: All</p>	Paul Howes	10	12	<p>SCORES - IMPACT: 3; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Effective service plans identifying (where possible) forthcoming major projects and realistic plans to deliver them. Effective contingency plans to enable the Council to deal with major issues or projects which could not be anticipated. Effective communications strategies for each major project (joint with other partners/agencies, where appropriate). Regular internal briefings. Publish relevant SCDC and other partner/agency information etc on website. Involvement of communications team as necessary. Update reports to relevant portfolio holder at every PFH meeting. Participation by other partners/agencies in supporting SCDC communications. Review of MTFs.</p> <p>TIMESCALE TO PROGRESS: Dependent on the timeframe/milestones for each major project.</p>

Risk Reference, Title and Description, plus associated Aims	Risk Owner	Current Risk Score		Risk Owner's Comments
		Target	Actual	
<p>STR16 – Depot size Failure to secure permanent alternative depot arrangements, leading to adverse health & safety implications, loss of operating licence, resulting in inability to provide full service, possible staff death or injury, service failure/disruption, legal action, reputational damage.</p> <p>Aims, Approaches, Actions: A v, C ii, C iii, C iv</p>	Mike Hill	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Temporary alternative arrangements in place. Permanent arrangements identified; planning consent granted March 2011. SMT supported move and lease of 25 yrs on 4 May 2011; approved by Environmental Services PFH in May 2011. Implementation and additional costs included in 2011/12 and 2012/13 budgets. Project Initiation Document approved by EMT in August 2011. Heads of Terms being reviewed.</p> <p>TIMESCALE TO PROGRESS: Vehicles to move to temporary facility in April 2012. Revised move to new Depot facility is October 2012.</p>
<p>STR21 – Keeping up with technology development The authority fails to maintain an awareness of technology opportunities and does not implement appropriate technology enhancements, leading to inability to appropriately manage the handling of data and sensitive information, IT and communications systems not having capability / capacity to meet emerging standards and unable to deal with service requirements and improvements and deliver efficiencies, resulting in diminished standard of service, customer dissatisfaction, tarnished reputation and uncontrolled costs.</p> <p>Aims, Approaches, Actions: All but especially A</p>	Alex Colyer	4	4	<p>SCORES - IMPACT: 2; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: ICT Strategy, ICT Security Policy and Usage Guidelines, Information Governance project. EMT, Policy & Performance Portfolio, Information Governance Working Group and the Website Officers Working Group. Assessment of service area needs in conjunction with the annual budget planning and Service Planning process. Externally – The exchange of information, ideas and opportunities via county wide and national user groups including the County and Districts ICT Group, Cambridgeshire Public Sector Network Partnership Board, Information Management Technology Partnership Board, ICT Shared Services Group and County Data Sharing Group. Membership of the Society of IT Managers (SociTM) and British Computer Society.</p> <p>TIMESCALE TO PROGRESS: ICT Strategy and Policies are refreshed annually, next update due April 2012. Regular monthly or bi-monthly engagement with officers, Members and public sector partners. Dependent on the timeframe/milestones for each major project.</p>

Red / Amber / Green shading in the Actual Column indicates the following movement in risk scores:

	Red	Amber	Green
for risks previously above the line:	<ul style="list-style-type: none"> the score has increased 	<ul style="list-style-type: none"> the score has not changed, or has decreased but stays above the line 	<ul style="list-style-type: none"> the score has decreased to below the line
for risks previously below the line:	<ul style="list-style-type: none"> the score has increased to above the line 	<ul style="list-style-type: none"> the score has increased but stays below the line 	<ul style="list-style-type: none"> the score has not changed, or has decreased

Notes

1. The "Reference" is unique and retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are shown on below.
3. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
4. The dotted line (- - - - -) shows the Council's risk tolerance line.
4. The "Timescale to progress" is the date by which it is planned that the risk will be mitigated to below the line.

Aims

- Risks are cross referenced to the relevant:
- (a) Aims, Approaches and/or Actions adopted by Council on 27 November 2008 with effect from 1 April 2009 (e.g. A. v., or E. ii. 2, etc);
 - (b) 12 Council Actions for 2010/11 approved by Council on 26 November 2009;
 - (c) 17 Corporate Actions for 2011/12 approved by Council on 24 February 2011.

Impact Giving rise to one or more of the following:

	Service disruption	People	Financial loss *	Environment	Statutory service/legal obligations	Management	Reputation	Score
Extreme	Serious disruption to services (loss of services for more than 7 days)	Loss of life	Financial loss over £500k	Major regional / national environmental damage	<ul style="list-style-type: none"> • Central government intervention; or • Multiple civil or criminal suits 	Could lead to resignation of Leader or Chief Executive	Extensive adverse coverage in national press and/or television	5
High	Major disruption to services (loss of services for up to 7 days)	Extensive multiple injuries	Financial loss between £251k - £500k	Major local environmental damage	<ul style="list-style-type: none"> • Strong regulatory sanctions; or • Litigation 	Could lead to resignation of Member or Executive Director	Adverse coverage in national press and/or television	4
Medium	Noticeable disruption to services (loss of services for up to 48 hours)	Serious injury (medical treatment required)	Financial loss between £51k - £250k	Moderate environmental damage	<ul style="list-style-type: none"> • Regulatory sanctions, interventions, public interest reports; or • Litigation 	Disciplinary / capability procedures invoked	Extensive adverse front page local press coverage	3
Low	Some disruption to internal services; no impact on customers	Minor injury (first aid)	Financial loss of between £6k - £50k	Minor environmental damage	<ul style="list-style-type: none"> • Minor regulatory consequences; or • Litigation 	Formal HR procedure invoked	Some local press coverage; or, adverse internal comment	2
Insignificant	Insignificant disruption to internal services; no impact on customers	No injuries	Financial loss of up to £5k	Insignificant environmental damage	<ul style="list-style-type: none"> • No regulatory consequences; or • Litigation 	Informal HR procedure invoked	No reputational damage	1

* including claim or fine

Likelihood

	Guidelines	Score
Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances (more than 90%), or • More than 90% likely to occur in the next 12 months 	5
Likely	<ul style="list-style-type: none"> • Will probably occur at some time, or in some circumstances (66% - 90%), or • 66% to 90% likely to occur in the next 12 months 	4
Possible	<ul style="list-style-type: none"> • Fairly likely to occur at some time, or in some circumstances (36% - 65%), or • 36% to 65% likely to occur in the next 12 months 	3
Unlikely	<ul style="list-style-type: none"> • Is unlikely to occur, but could, at some time (11% - 35%), or • 11% to 35% likely to occur in the next 12 months 	2
Rare	<ul style="list-style-type: none"> • May only occur in exceptional circumstances (up to 10%), or • Up to 10% likely to occur in the next 12 months 	1

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**Appendix B
Strategic Risk Matrix
March 2012 - Draft**



			IMPACT				
			Insignificant	Low	Medium	High	Extreme
			1	2	3	4	5
LIKELIHOOD	Almost certain	5			12. Supported Housing	15. Welfare reform	
	Likely	4		23. Achieving a 10% reduction in CO ₂ emissions		5. Lack of development progress 14. Implementation of National JE Scheme	
	Possible	3	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Risk Tolerance Line - - - - - </div>		20. Partnership working with Cambridgeshire County Council 19. Demands on services from an ageing population	3. Illegal traveller encampments / developments 8. Medium Term Financial Strategy 24. HRA Business Plan	
	Unlikely	2				2. Equalities 22. Safeguarding the Council's services against climate change	13. Potential risk once HRA reform is implemented
	Rare	1					

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